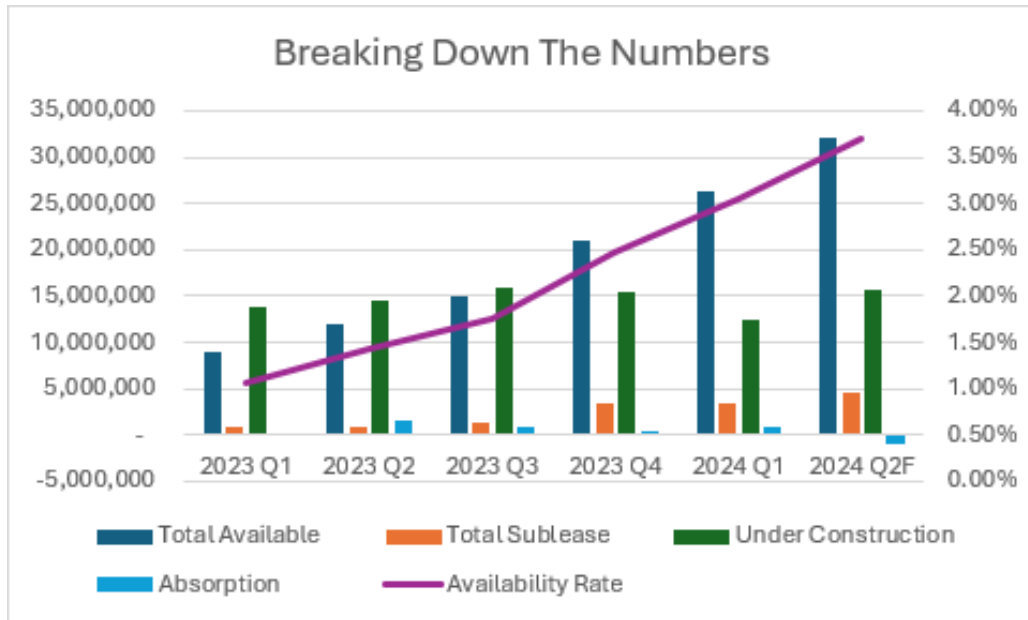




Matt's Market Minute

July 9, 2024

Read time: 1 min



Breaking Down The Availability Rate

The industrial real estate market is experiencing significant shifts, with the **availability rate rising to 3.7%, the highest since 2016**, with a year-over-year increase of 232 basis points. This change is driven by several factors, particularly the quieter activity in larger bay leasing. Let's dive deeper into the numbers:

- **New and Vacant Construction:** In 2023, 11,005,971 square feet of new supply was added, with 46.2% still available. In 2024, 7,892,584 square feet was delivered,

with 54% remaining vacant. Combining the 4.2 million square feet vacant from new construction this year and the 5.06 million square feet from last year, a significant portion of the new supply remains unoccupied.

- **Sublease Space:** Of the 32,100,000 square feet of total space available, around 4,600,000 square feet is sublease space. Notably, almost half of this sublet space comes from companies that leased new buildings in the past two years.
- **Total Availability:** Combining the vacant new construction and sublease space, about 43% of the availability rate is accounted for. This leaves 18,240,000 square feet, or 57%, of the market not directly tied to new construction or subletting.
- **Record New Supply:** We have also added a record amount of new supply, with 50 million square feet added since 2020, compared to only 23 million square feet between 2015 and 2019.

The higher availability/lower demand trend is **not specific to the Greater Toronto Market, but is North American-wide**. The **U.S. average vacancy** rate is up 50 basis points to 6.1% during the first quarter of 2024 — **the highest since early 2015**. These figures show that **Toronto remains a competitive marketplace**. The availability rates are also lower in certain size ranges, for example, 20-50k or 50-80k SF.

The final **major factor contributing to the rising availability is demand**. The market is experiencing the lowest absorption numbers in a decade. Q2 2024 saw a negative absorption of -884,000 square feet, the lowest since Q3 2015. The Greater Toronto Area **(GTA) industrial market is experiencing negative absorption for the first time in eight years**.

It is important to remember how robust the market has been over the past few years. How much rental rates, and sale prices increased over a short period. It's no surprise we're seeing a slight swing back to normalcy.

Have a great rest of the week!

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