



Matt's Market Minute

June 26, 2024

Read time: 1 min 45 sec

Happy Wednesday!

In 2023, the GTA industrial market had a tale of two tapes to round out a busy year in industrial real estate.

The start of 2023 had continued rental rate growth tailing off the COVID boom and extremely low availability rates, beginning at 1.06%. Every lease or sale listing saw activity and what seemed like multiple offers. Requirements were active. At the end of 2022, we had a 6M SF Net Absorption print, which carried the momentum through 2023.

Q2 and Q3 2023 saw rental rates hit all-time highs of \$18.14 & \$18.56 Net PSF. While this happened, the sublet market started gaining momentum with a 1.3m SF sublease space available in Q3 2023. We also had a record number of new construction in 2023 at 15,847,854 SF.

The second half of 2023 is when we saw the market start to move quickly as the availability rate hit 2.47%. We delivered 3.6m SF in Q3 2023 and 3.8m SF in Q4 2023 of new supply, and the sublet market grew to around 3.3 million SF. This meant that the GTA industrial market saw a 7 million SF delivery of available space in a single quarter while only absorbing half a million square feet.

The beginning of Q1 2024 has continued the market trends seen in the latter half of 2023 with a staggering 5.4 million SF in new supply, sublet market moving past 4.5m SF, rising availability rates, stable rental rates fluctuating around \$18, and sub-1 million SF absorption. It is likely Q2 will bring about a drop in rental rates and negative absorption.

	Availability		Rent	Inventory	Total	Total	Under	Absorption	Bank
	Rate	New Supply			Available	Sublease	Construction		
2023 Q1	1.06%	1,231,137	\$18.01	842,222,911	8,890,752	791,157	13,757,488	174,351	4.5
2023 Q2	1.42%	2,290,488	\$18.14	845,058,054	12,000,085	807,571	14,583,012	1,596,460	4.75
2023 Q3	1.76%	3,610,759	\$18.56	848,668,813	14,929,335	1,361,798	15,847,854	807,551	5
2023 Q4	2.47%	3,873,587	\$18.46	852,542,400	21,043,375	3,295,500	15,485,553	502,568	5
2024 Q1	3.06%	5,439,546	\$18.42	857,981,946	26,242,811	3,441,650	12,399,817	927,885	5

Vacant New Supply 2024 (SF)	4,260,862
New Supply 2024 YTD (SF)	7,892,584
% Of New Supply Released in 2024 Sitting Vacant	54%
Total Available 2024 Q2 (SF)	32,100,000
Sublease Available 2024 Q2 (SF)	4,600,000
Vacant New Supply (SF)	4,260,862
% Available Sublease or New Space Sitting Vacant	28%

Important notes:

The GTA market has also added a record amount of new supply; 50M SF in new supply has been added since 2020, while only 23M SF was added between 2015 and 2019. 46% of the 11m SF delivered in 2023 remains vacant & 54% of the new supply in 2024 is sitting vacant.

Almost half of the sublet space available comes from companies that took on new space during 2022 and 2023.

Demand for the core GTA near the airports and intermodal yards remains strong, with the highest requirements in that geographic area.

A +/- 5% market is considered a balanced market. We are still approximately 1.5% below that figure.

Have a great rest of the week!

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