Availability records second consecutive quarterly decline amid increased demand

▼ 5.0%
Availability Rate

▲ 4.3M
SF New Supply

▼ 7.7M
SF Under Construction

▼ $16.38
PSF Avg. Asking Lease Rate

▼ $363.10
PSF Avg. Asking Sale Price

Note: Arrows indicate change from previous quarter.

Summary

– Strengthened leasing activity helped the Greater Toronto Area (GTA) close out the year with 4.3 million sq. ft. of quarterly net absorption, though it was supported by 1.9 million sq. ft. of pre-leased new supply and 625,000 sq. ft. of sublessors opting to retain their space.

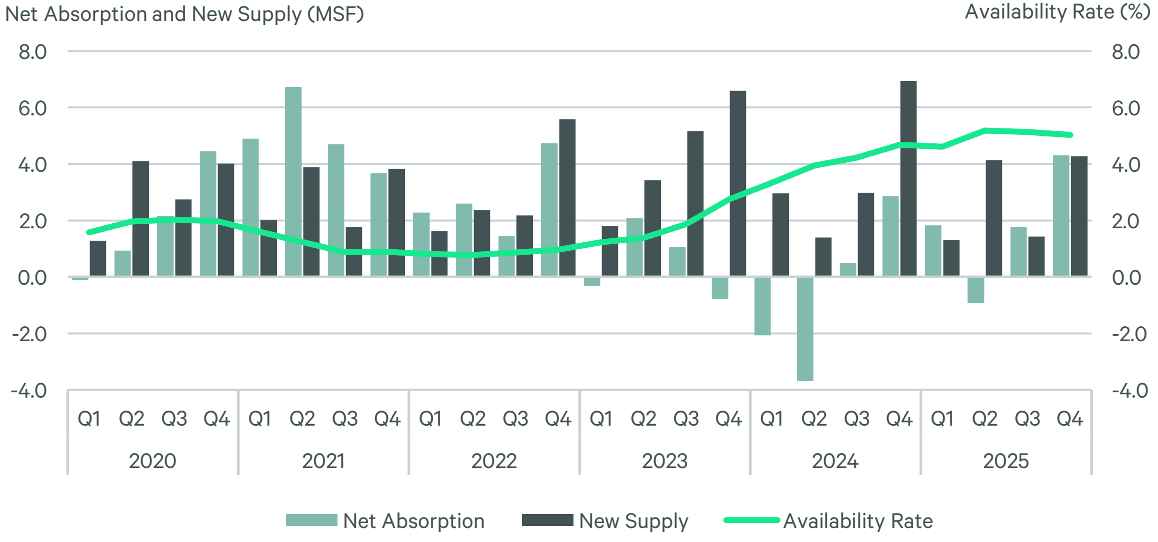
– The availability rate declined for the second consecutive quarter, falling an additional 10 basis points (bps) to 5.0%.

– Rental rates declined for the ninth consecutive quarter, decreasing 1.3% quarter-over-quarter to $16.38 per sq. ft.

– The GTA delivered nearly 4.3 million sq. ft. this quarter, bringing the annual total to 11.1 million sq. ft.

– Future deliveries are expected to decline significantly, with 7.3 million sq. ft. projected for 2026 and 7.7 million sq. ft. for 2027, which would be the lowest annual levels since 2018.

FIGURE 1: Greater Toronto Area Fundamentals – Historical Analysis



Source: CBRE Research, Q4 2025.

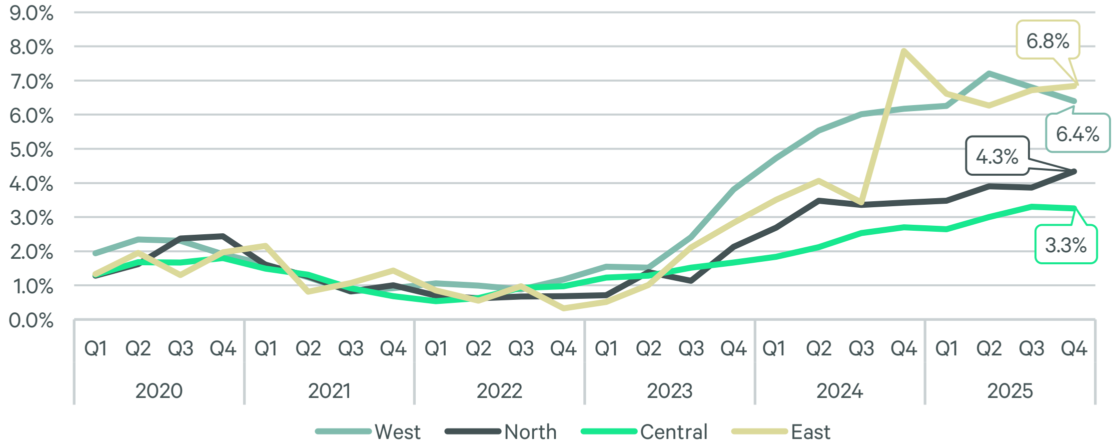
Availability and Demand

Q4 recorded an uptick in demand, registering as the most active quarter and reflecting typical year end seasonality. Strengthened leasing activity helped the GTA close out the year with 4.3 million sq. ft. of quarterly net absorption, though it was supported by 1.9 million sq. ft. of pre-leased new supply and 625,000 sq. ft. of sublessors opting to retain their space.

The availability rate declined for the second consecutive quarter, falling an additional 10 bps to 5.0%. Most activity took place in Toronto West, where the availability rate decreased by 40 bps to 6.4%. In contrast, Toronto North recorded a 40 bps increase to 4.3%, mainly due to Markham which delivered 925,000 sq. ft. of vacant new supply this quarter. Although Toronto West was the primary contributor to the GTA wide decline, its availability rate remains high comparatively to the Toronto North market.

Despite a strong Q4 finish, a high degree of uncertainty persists, suggesting that near term performance is unlikely to mirror Q4's strength. The recent 10 bps quarterly declines in availability, although positive, are modest and remain elevated above Q1 2025's rate of 4.6%. Looking ahead, the upcoming CUSMA renegotiations introduce another source of volatility, although a reduced pipeline of speculative development is expected to provide some stabilization on the supply side.

FIGURE 2: Availability Rate by Region of Toronto (%)



Source: CBRE Research, Q4 2025.

FIGURE 3: Notable Lease Transactions, Q4 2025

Tenant	Activity Type	Size (SF)	Address	City
Stelumar Advanced Manufacturing	New Lease	470,308	560 & 600 Slate Drive	Mississauga
PolarPak	Extension	402,519	2 Bramkay Street	Brampton
Goodcang Logistics	New Lease	365,031	8119 Trafalgar Road	Halton Hills
DP World	New Lease	291,325	625 Bronte Road	Oakville

Source: CBRE Research, Q4 2025.

Rent Trends

Rental rates declined for the ninth consecutive quarter, decreasing 1.3% quarter-over-quarter to $16.38 per sq. ft. The quarterly downward movement was driven primarily by assets with clear heights below 26', while rates for clear heights above 26' remained virtually unchanged. Furthermore, the core industrial municipalities of Mississauga, Brampton, and Vaughan recorded more moderate quarterly rental rate decreases than the overall market, with decreases of 0.6% to 0.9%. Market bifurcation has become increasingly evident, both between core and non-core assets and in product quality.

Since Q3 2023, the average asking rate has declined from $18.35 per sq. ft. to $16.38 per sq. ft., representing a decrease of 10.7% or $1.97 per sq. ft. Concession packages have increased significantly, while average annual escalations have moved lower, which have mitigated a more severe pullback in rental rates.

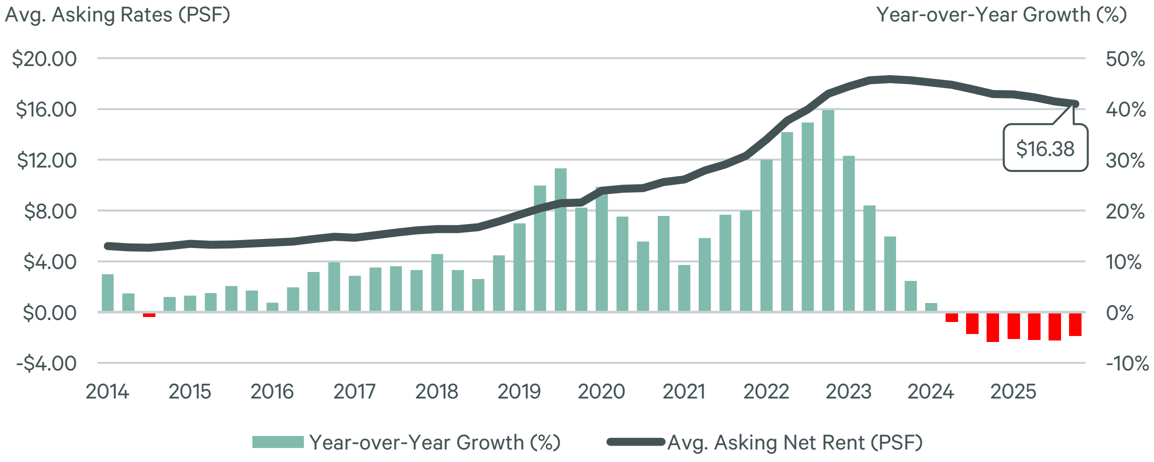
Construction Activity

The GTA delivered nearly 4.3 million sq. ft. this quarter, bringing the annual total to 11.1 million sq. ft. The year-end total represents the lowest year-end level since 2019, albeit only slightly below the 2021 and 2022 totals of 11.5 and 11.8 million sq. ft., respectively. Of the 4.3 million sq. ft. delivered, a notable 43.8% was pre-leased/pre-sold. Despite this, 11 of the 25 buildings delivered fully vacant, seven of which are above 100,000 sq. ft. in size.

Q4 construction starts were minimal, with eight projects totaling 2.1 million sq. ft. breaking ground. Excluding two design build projects, this figure drops significantly to 728,000 sq. ft. Moreover, after removing small bay and industrial condominium developments, the total is reduced further to just 2 buildings totaling 417,000 sq. ft.

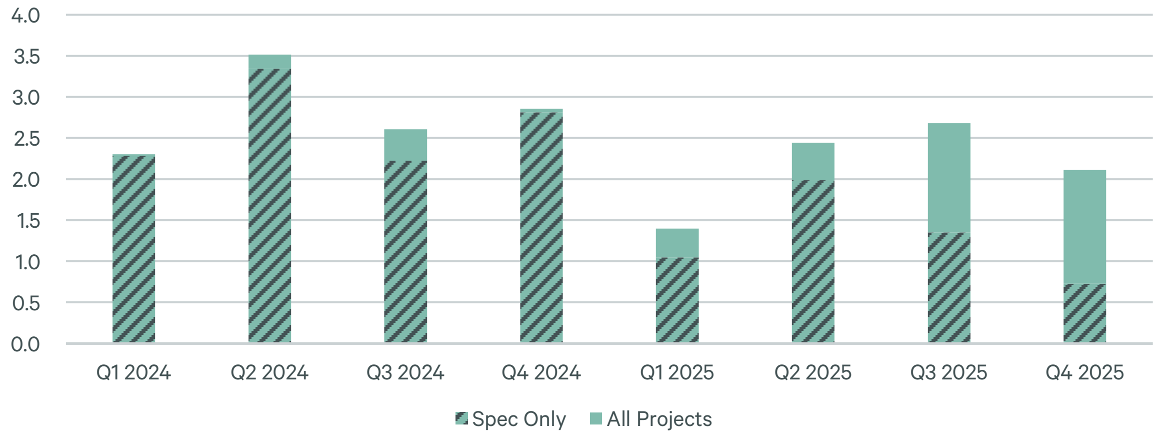
Currently, 29 projects totaling 7.7 million sq. ft. are under construction, marking the lowest level since Q4 2018. When excluding projects under 100,000 sq. ft., pre-leased developments, and industrial condominiums, the total declines to 13 projects totaling 4.4 million sq. ft.

FIGURE 4: Average Asking Rents and Net Rental Rate Growth



Source: CBRE Research, Q4 2025.

FIGURE 5: Greater Toronto Area Construction Starts (MSF)



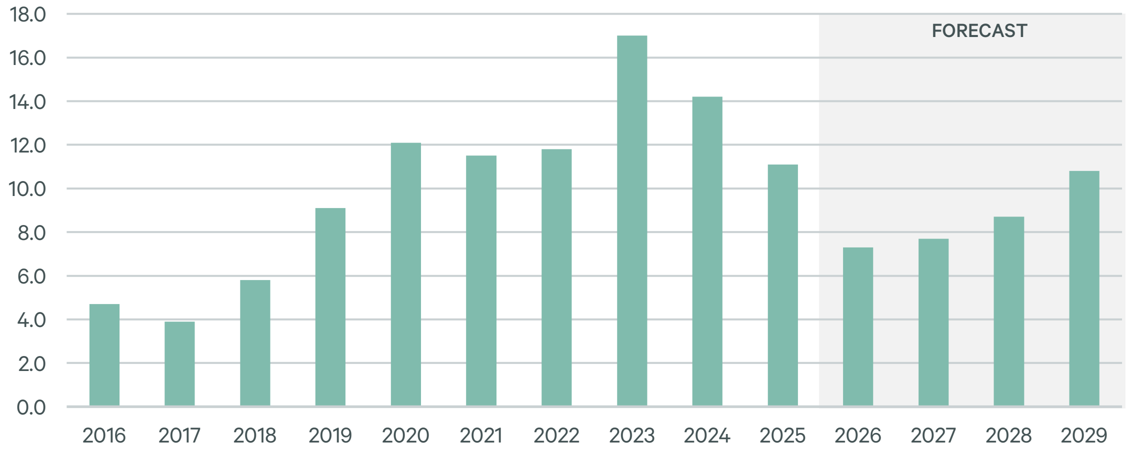
Source: CBRE Research, Q4 2025.

Forecasted New Supply

Future deliveries are expected to decline significantly, with 7.3 million sq. ft. projected for 2026 and 7.7 million sq. ft. for 2027, which would be the lowest annual levels since 2018. Additionally, design builds are becoming more prevalent, comprising 35.8% of 2026's pipeline and 24.1% of 2027's. With developer trepidation prevalent in the current market, many are adopting a more cautious and reactive approach to speculative projects, making longer term supply forecasts increasingly fluid and dependent on economic conditions.

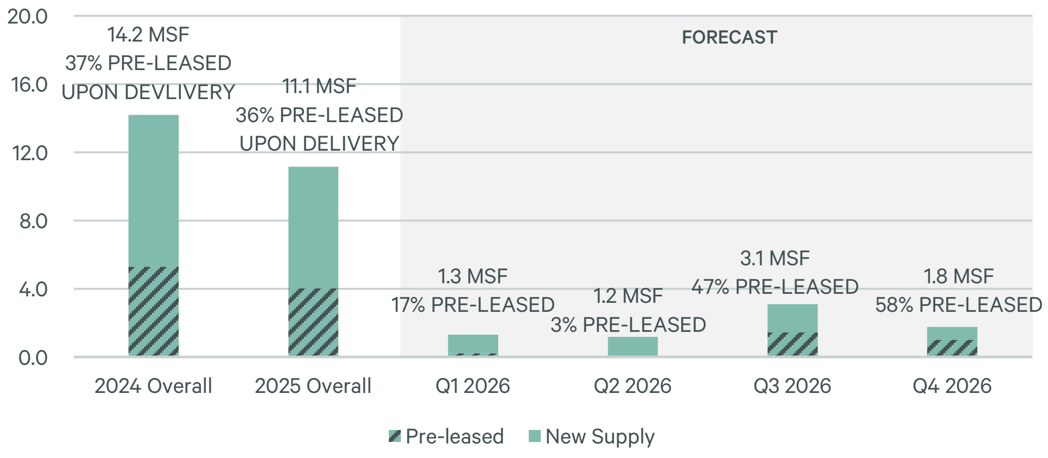
Despite this, some developers have remained bullish, maintaining a strong long-term outlook and commenced construction on several projects in a market characterized by depressed sentiment. As such, the move muted the severity of the pullback initially anticipated for 2025 and prolonged it to 2026. For those less confident, pad-ready, permit-approved sites held until a lease is secured have gained traction throughout 2025 and into 2026.

FIGURE 7: Greater Toronto Area Historical and Forecasted Annual New Supply (MSF)



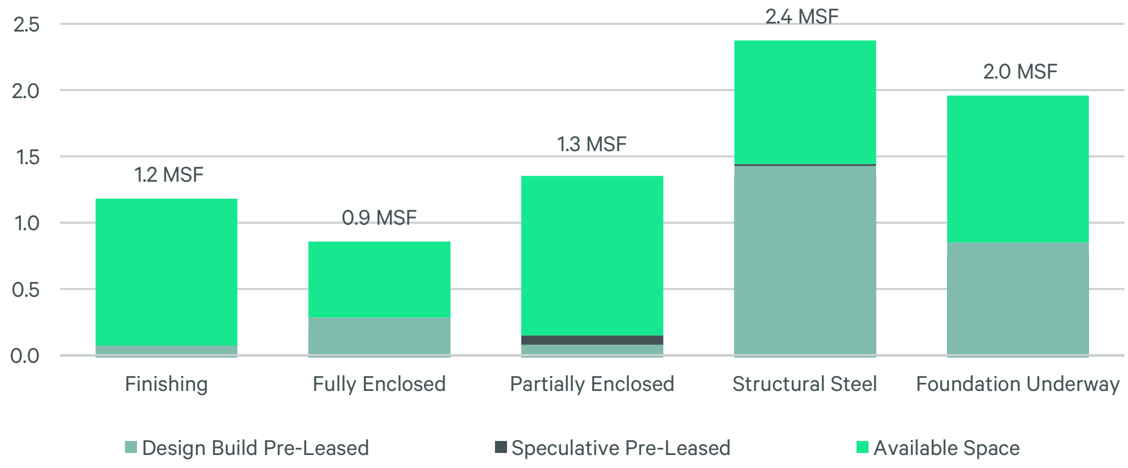
Source: CBRE Research, Q4 2025.

FIGURE 6: Greater Toronto Area Historical and Forecasted Pre-leased New Supply (MSF)



Source: CBRE Research, Q4 2025.

FIGURE 8: Greater Toronto Area Preleasing Activity by Construction Status (MSF)



Source: CBRE Research, Q4 2025.

FIGURE 9a: Q4 2025 Industrial Market Statistics

Submarket	Inventory (SF)	Availability Rate (%)	Vacancy Rate (%)	Quarterly Net Absorption (SF)	Net Absorption YTD (SF)	Under Construction (SF)	Avg. Net Asking Lease Rate (PSF)	Avg. Asking Sale Price (PSF)
Pickering	11,182,178	8.0%	7.1%	39,814	240,777	190,464	$15.86	$268.31
Ajax	12,616,175	13.6%	11.6%	-42,894	863,396	0	$15.80	$272.51
Whitby	9,529,703	11.4%	11.2%	428,421	356,952	201,739	$14.34	$296.68
Oshawa	29,530,224	2.1%	1.8%	-61,217	705,651	0	$13.49	$288.82
Toronto East	**62,858,280**	**6.8%**	**6.1%**	**364,124**	**2,166,776**	**392,203**	**$15.12**	**$280.05**
Toronto	23,064,534	0.6%	0.6%	96,136	-10,476	0	$10.85	$381.03
North York	87,980,868	3.1%	1.7%	-460,992	-980,107	0	$15.44	$363.26
Scarborough	72,258,985	3.3%	2.6%	474,982	-113,947	451,669	$14.96	$365.95
Etobicoke	81,158,344	4.2%	3.1%	-411,779	-409,358	0	$16.80	$317.26
East York	7,991,140	3.5%	1.8%	-28,578	-159,814	0	$16.95	$324.88
York	7,179,602	1.7%	0.8%	35,884	-61,984	0	$14.75	$268.84
Toronto Central	**279,633,473**	**3.3%**	**2.2%**	**-294,347**	**-1,735,686**	**451,669**	**$15.79**	**$344.37**
Markham	38,995,860	5.5%	4.9%	-57,734	468,290	16,216	$17.12	$506.64
Richmond Hill	13,980,269	2.8%	1.5%	112,870	258,953	0	$18.72	$447.42
Vaughan	82,660,780	4.4%	3.4%	106,747	1,159,849	1,504,004	$17.36	$481.03
Aurora	6,923,283	2.3%	1.4%	48,720	502,653	59,525	$16.89	$464.81
Newmarket	5,325,046	1.9%	0.3%	61,189	64,822	443,160	$18.90	$309.61
Stouffville	1,062,119	0.0%	0.0%	34,732	0	0	$12.00	$301.97
Toronto North	**148,947,357**	**4.3%**	**3.4%**	**306,524**	**2,454,567**	**2,022,905**	**$17.38**	**$484.37**

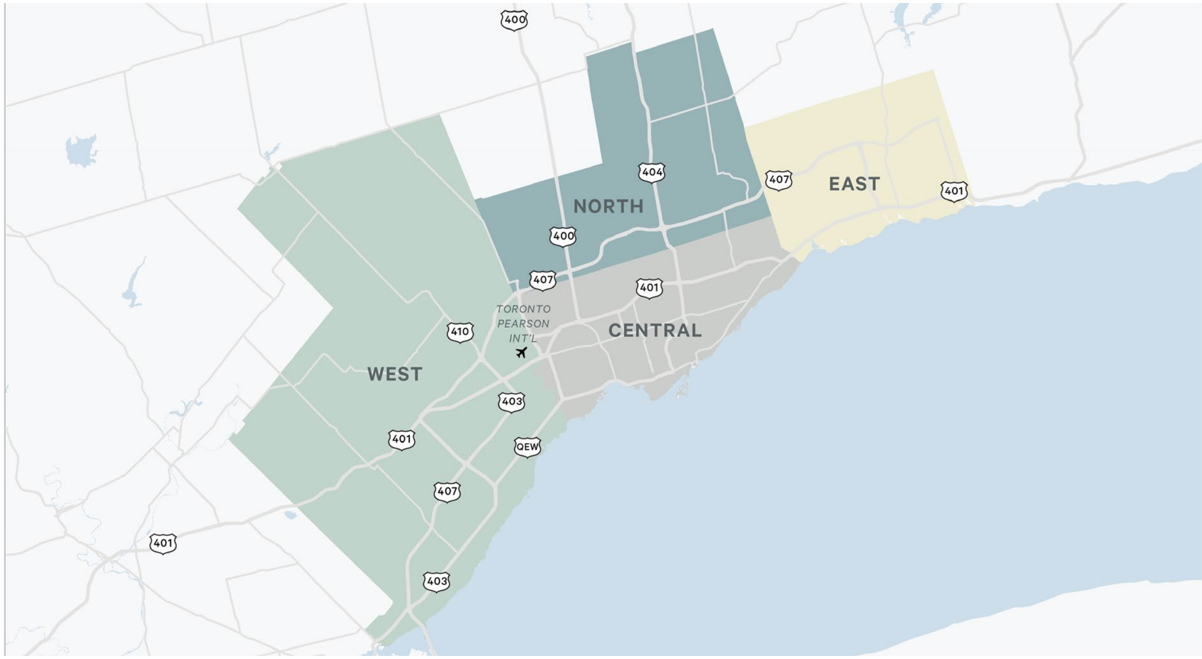
Source: CBRE Research, Q4 2025.

FIGURE 9b: Q4 2025 Industrial Market Statistics

Submarket	Inventory (SF)	Availability Rate (%)	Vacancy Rate (%)	Quarterly Net Absorption (SF)	Net Absorption YTD (SF)	Under Construction (SF)	Avg. Net Asking Lease Rate (PSF)	Avg. Asking Sale Price (PSF)
Mississauga	167,429,509	4.3%	2.7%	1,434,968	1,017,549	729,961	$16.90	$382.15
Brampton	94,006,255	6.4%	4.6%	522,186	939,222	1,493,247	$16.86	$344.50
Caledon	21,664,674	3.4%	2.2%	788,991	767,544	2,288,207	$16.46	$370.06
Oakville	20,558,443	10.9%	8.5%	271,934	-44,470	0	$16.81	$353.70
Burlington	22,900,639	7.7%	5.6%	116,609	-164,713	175,764	$13.24	$266.10
Milton	28,603,973	14.7%	13.6%	-12,900	1,266,413	0	$16.66	$360.42
Halton Hills	7,192,801	11.4%	9.7%	809,676	309,197	173,403	$17.50	$261.35
Toronto West	**362,356,294**	**6.4%**	**4.7%**	**3,931,464**	**4,090,742**	**4,860,582**	**$16.56**	**$352.02**
GTA Total	**853,795,404**	**5.0%**	**3.7%**	**4,307,765**	**6,976,399**	**7,727,359**	**$16.38**	**$363.10**

Source: CBRE Research, Q4 2025.

Market Area Overview



Definitions

- Vacant Sq. Ft.: Space that can be occupied within 30 days.
- Vacancy Rate: Total vacant sq. ft. divided by the total building area.
- Available Sq. Ft.: Existing space in a building, ready for occupancy within three months; can be occupied or vacant.
- Availability Rate: Total available sq. ft. divided by the total building area.
- Average Net Asking Lease Rate: A calculated average of the net lease rate weighted by its corresponding available square footage; building must be existing, not under construction or planned.
- Gross Lease Rate: Average asking lease rate in addition to real property taxes, maintenance and building insurance.
- Net Absorption: The change in occupied sq. ft. from one period to the next.
- Occupied Sq. Ft.: Inventory subtracted by total available sq. ft.

Survey Criteria

- Includes all existing industrial availabilities 10,000 sq. ft. and greater in size.
- Under construction is defined by buildings which have begun foundation work or otherwise has foundations in place.

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