

Q3
2026

The QTM

Industrial Market Report

Lennard:

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of commercial real estate.*

GTA Market Overview



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The Q3 GTA industrial real estate data appears to show signs of a recovering market. Still, certain events transpired during the quarter which may throw cold water on those bullish signals and could be a harbinger of more uncertainty, if not slowing activity.

Leasing

The big news for the quarter is that the GTA-wide vacancy rate ticked down once again, this time from 4.2% to 4.0%. For context, over 11 consecutive quarters from Q3 2022 to Q3 2025, the vacancy rate increased quarter over quarter, but since then we have seen four quarters of either flat or declining vacancy. All this to say that after the market achieved its peak in late 2022, it has been on a slow and steady softening track, but the last year has shown signs of recovery. This latest vacancy number continues that recovery trend.

That said, there were three events that occurred during Q3 2026 which made the mood “on the ground” feel disjointed from the bullish data:

Event #1: Trade talks between Canada and the US collapsed on August 22nd and have yet to recover. If anything, the trade “war” has only escalated since.

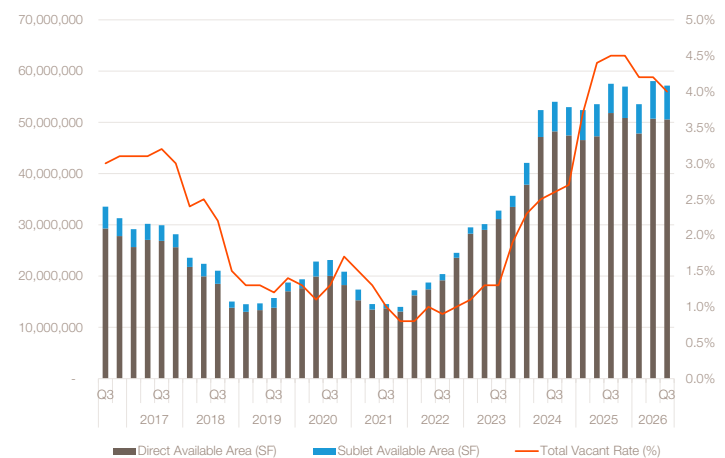
Event #2: The US bond market experienced a significant selloff. Yields began a steady climb on July 3rd, and that upward trend accelerated sharply on August 25th, pushing bond yields to their highest levels in decades.

Event #3: Diesel prices surged. Prices began rising during the week of July 13th, accelerated throughout August and September, and peaked at a record high on September 21st.

Why are these events relevant? Because each of them is a decidedly bearish factor for industrial leasing.

A trade war with the US weighs directly on the bottom lines of many Canadian businesses. Even those that are not directly affected tend to become more cautious about the economy and more hesitant to make major business decisions, such as committing to a lease on a new building.

GTA Availability & Vacancy Rate



GTA Wide Stats



Overall Vacancy Rate
4.0%



Total Available Area
56,987,307 SF



Average Sale Price
\$353 PSF



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Higher bond yields drive up borrowing costs across the board. Businesses carry debt and take on new debt for all manner of purposes, and rising yields make that debt more expensive to service. Elevated diesel prices, meanwhile, make virtually everything more expensive. They push up input costs for businesses, eroding margins, while also feeding into broader inflation, which in turn acts as a further drag on the economy.

So while vacancy tightened as a reflection of continued strong leasing activity, the anecdotal feedback is that these broader geopolitical and economic events that occurred during the quarter seemed to trigger a tangible pullback among industrial occupiers who may want to assess things while this uncertainty plays out. Given the time lag between market sentiment and leasing data, this pullback was not reflected in the latest published data, and it would not be shocking to see the Q4 data emerge in early January with more bearish signals.

The average net asking rate GTA-wide fell for the 9th consecutive quarter, from \$16.36 in Q2 of this year to \$16.20 this latest quarter. GTA North (comprised mainly of York Region) and GTA West (Mississauga, Brampton, Milton, Oakville) were the submarkets with the highest average net asking rates, at \$17.03 and \$16.58 respectively. However, both markets also saw a drop from their Q2 results. It's notable that even as the vacancy rate has turned the corner (bullish), the average asking rate continues to fall (bearish), and there are likely a few different reasons that could explain this. One is that asking lease rates often lag actual leasing activity, meaning that as vacancy tightens and landlords gain

more leverage, their asking rates may rise, but it usually takes a few months for this to bear out. Another factor is that absorption has likely been spurred along in part *because* asking rates have continued to fall, as landlords realign their expectations with the realities of the market. Lastly, it may be a matter of the types of spaces that are being absorbed. With more tenant choice, they tend to gravitate toward higher-quality options (newer buildings, better clear height, etc.), which tend to have higher asking rates, thus leaving a greater pool of lower-quality and less expensive options to make up a greater proportion of the remaining inventory.

Sales

Industrial sales volume dropped off considerably in Q3 versus the previous quarter, from approximately \$1.9 billion down to \$963 million. That being said, Q2 was an outlier among the last several quarters, with a significant spike in volume relative to what the market had been seeing. At \$1.9 billion, Q2 was by far the highest result over the last six quarters. The four quarters before it all ran between \$0.8 billion and \$1.24 billion, averaging about \$1.09 billion. Q3's \$963M is only about 11% below that average. Measured against a typical quarter, Q3 is a little soft but more or less in line with what the market has seen. This confirms that, rather than leading to a breakout recovery in sales, Q2 likely benefited from pent-up buyer demand that sat on the sidelines during the previous 6-12 months, when uncertainty was rife. The economy was slowing down, and we're now reverting to equilibrium, in a sense.



GTA Market Overview

Pricing remained essentially flat at \$353 PSF GTA-wide compared to \$356 PSF in Q2. Pricing levelled off in mid-2025 after a run-up in the 2022-2025 period and has remained remarkably flat ever since, even with sales activity relatively slow. This has been mentioned many times in this corner, but with very little distress in the market, most owners don't have to sell, and many would rather wait for better conditions than drop their pricing. Fewer willing sellers means fewer transactions, which is helping keep pricing steady even as demand remains soft. For now, the sales market appears to be settling back into the slow but steady pace that has defined it for much of the past two years.

Development

On the development side, the construction pipeline grew slightly in Q3. Space under construction across the GTA rose to approximately 16.2 million SF across 64 buildings, up about 5% from 15.5 million SF in Q2. Nearly all of that growth came from GTA West, where space under construction jumped roughly 12% to 9.7 million SF across 27 buildings. GTA North moved the other way, falling about 8% to 3.5 million SF as projects reached completion, while GTA East and Toronto were essentially flat at 1.2 million SF and 1.8 million SF, respectively.

This lines up with what we flagged last quarter, which is that developers are showing renewed interest in land acquisitions and project starts as they look ahead to better market conditions. That said, this is far from a building boom. Most developers remain focused on leasing up in-progress and completed projects, and new starts remain selective and concentrated in the West, where tenant demand has historically been

strongest. If the latest bearish macroeconomic events eventually subside and occupier confidence resumes (with the way things have gone, neither is assured), a subdued development pipeline should help boost the market and tighten up the supply of available space further while putting upward pressure on rates; to the extent this transpires, it'll likely be a 2027-2028 story rather than part of the narrative for the remainder of this year.

Looking Ahead

As mentioned, it's a bit of a tale of two markets at the moment: the one that shows up in the Q3 data and the one that we're hearing about on the street when speaking with landlords and business owners. Several high-profile global shifts occurred during Q3 just as the market was finding its stride again, and which provided, if not a "shock," then certainly a "shake-up" to industrial occupiers big and small. Time will tell if the Q4 data shows glimpses of this apparent pull-back.

In any case, the longer-term picture for industrial is likely more positive. It's reasonable to think that some of the factors that are currently a drag on the economy will shake loose and that some certainty will return, and if that dovetails with the drying up of project deliveries, we may see the vacancy rate tighten further and landlords gain the upper hand in negotiations once again.

Toronto Central

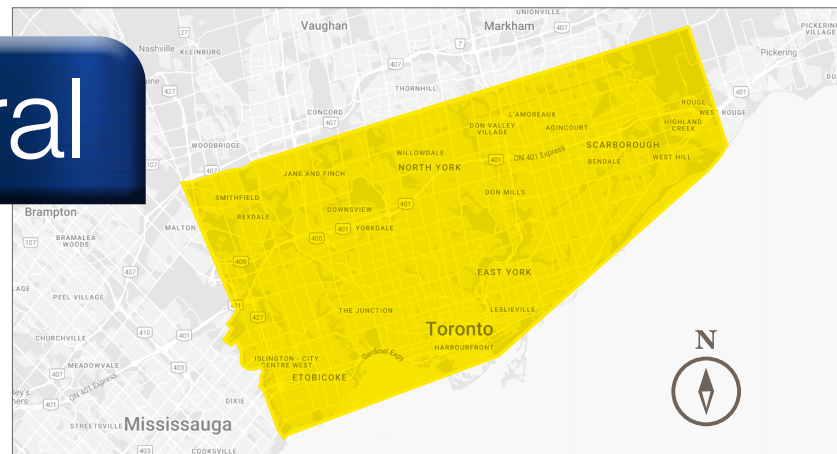
Toronto Central Stats

 Total Building Inventory
207,217,749 SF

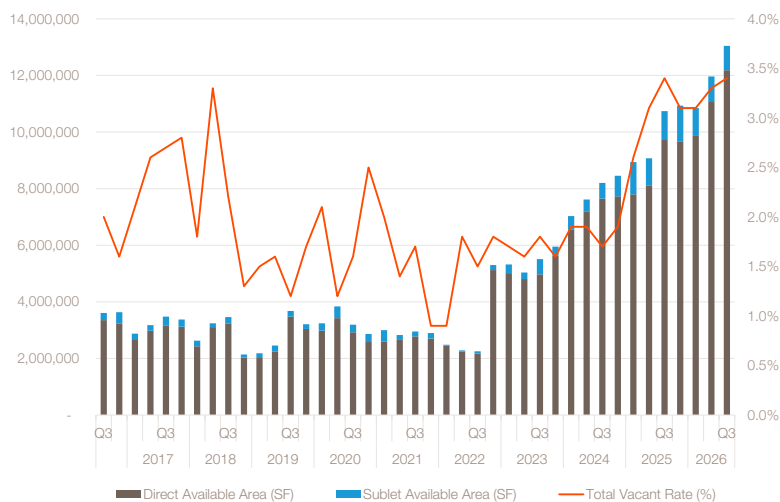
 Total Number of Buildings
5,110

 Total Available Area
13,010,219 SF

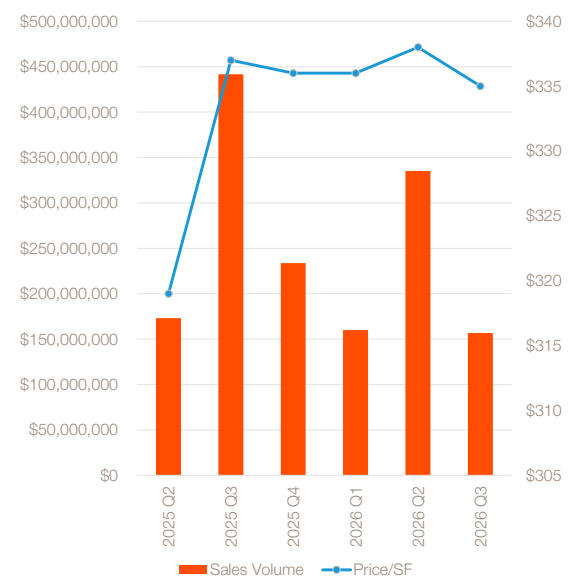

3.4%
Total Vacant Rate



Available Space (Direct vs. Sublet)



Sales Volume & Market Sale PSF



 **Leasing Activity**
1,200,209 SF

Average Sale Price PSF



< 20k SF	\$382 PSF
20k-80k SF	\$260 PSF
> 80k SF	\$274 PSF

	Net Rent	\$15.43 PSF
	Additional rent	\$4.38 PSF



1,772,789 SF
Under Construction - 11 Buildings

0.3% change
vs. Q2 2026

GTA North

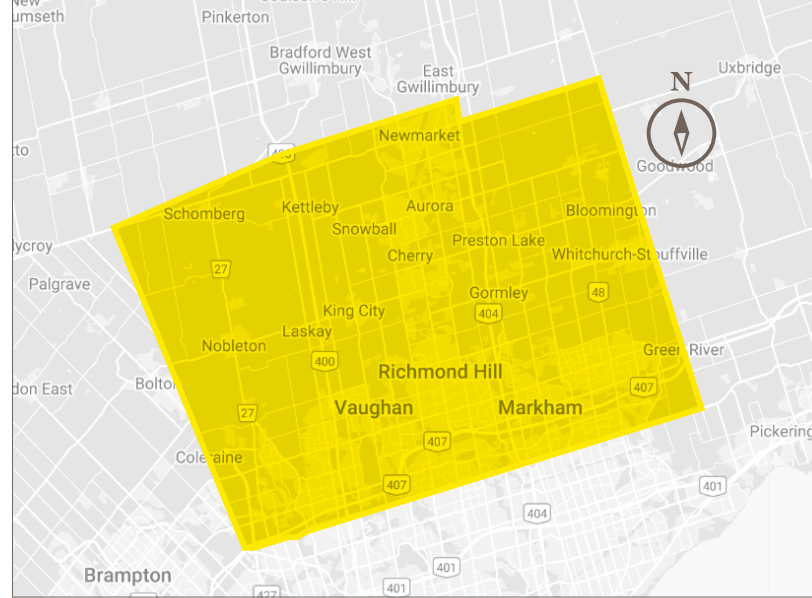
GTA North Stats

 Total Building Inventory
156,361,609 SF

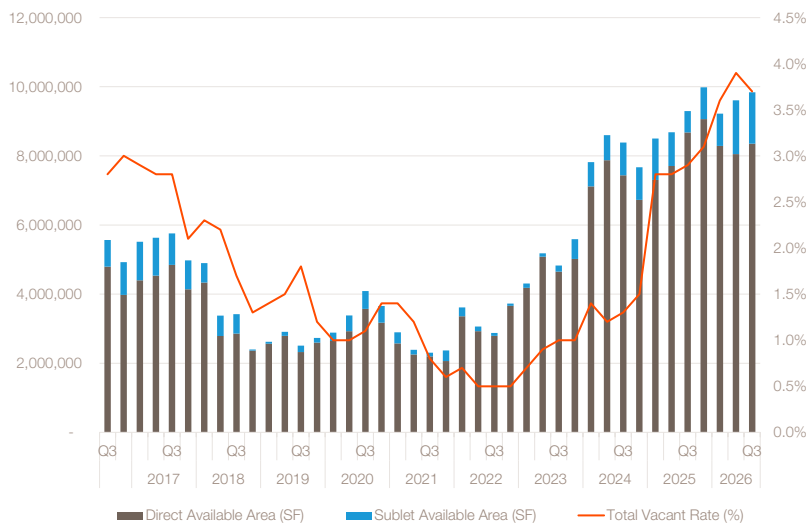
 Total Number of Buildings
2,897

 Total Available Area
9,837,944 SF

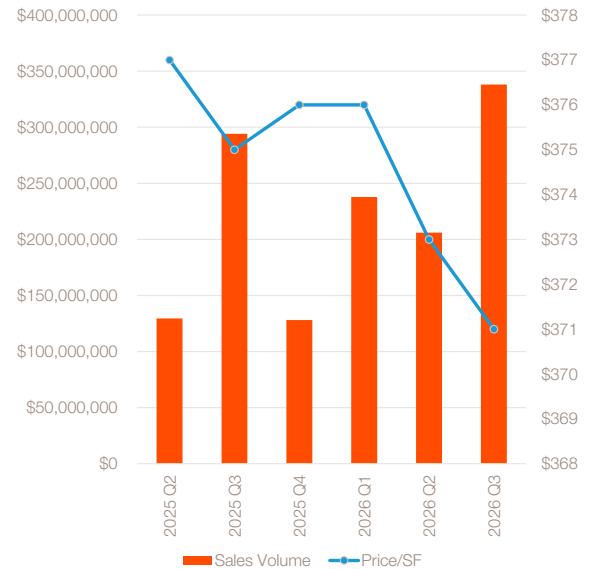

3.7%
Total Vacant Rate



Available Space (Direct vs. Sublet)



Sales Volume & Market Sale PSF



 **Leasing Activity**
1,154,896 SF

Average Sale Price PSF

< 20k SF	\$398 PSF
20k-80k SF	\$331 PSF
> 80k SF	\$303 PSF

	Net Rent	\$17.03 PSF
	Additional rent	\$4.26 PSF

 **3,473,257 SF**
Under Construction - 15 Buildings
-8% change vs. Q2 2026

GTA West

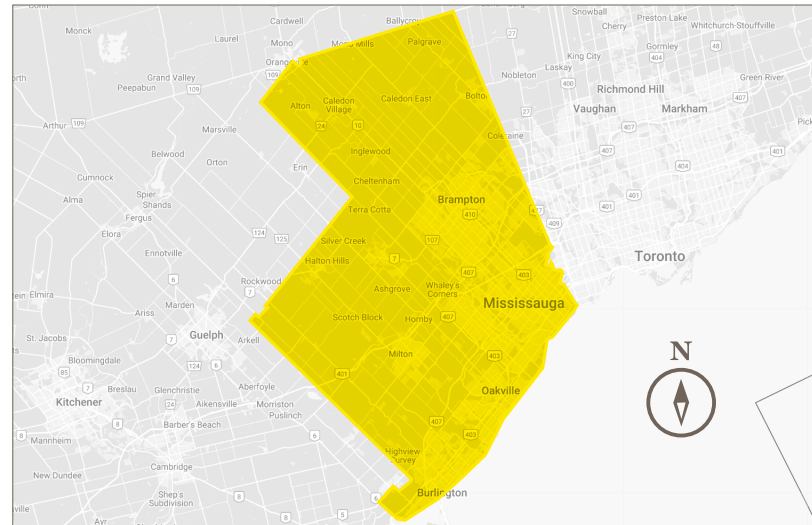
GTA West Stats

 Total Building Inventory
402,357,696 SF

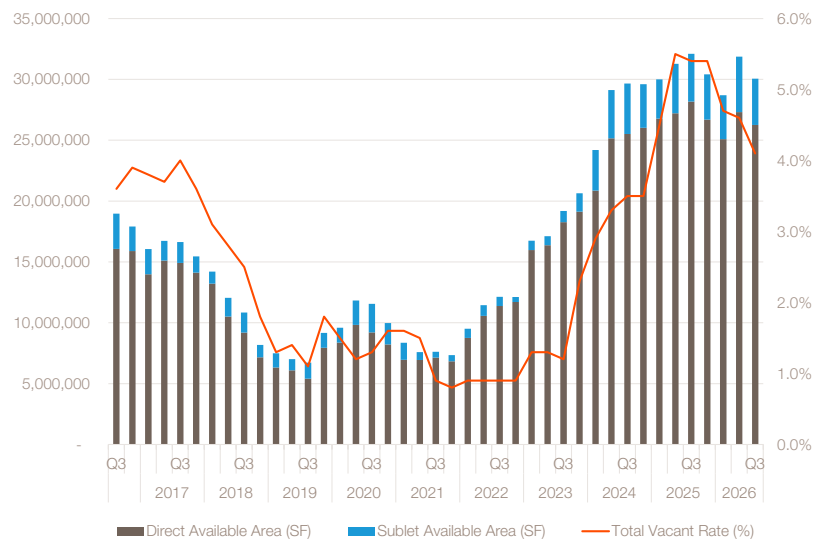
 Total Number of Buildings
6,392

 Total Available Area
29,909,035 SF

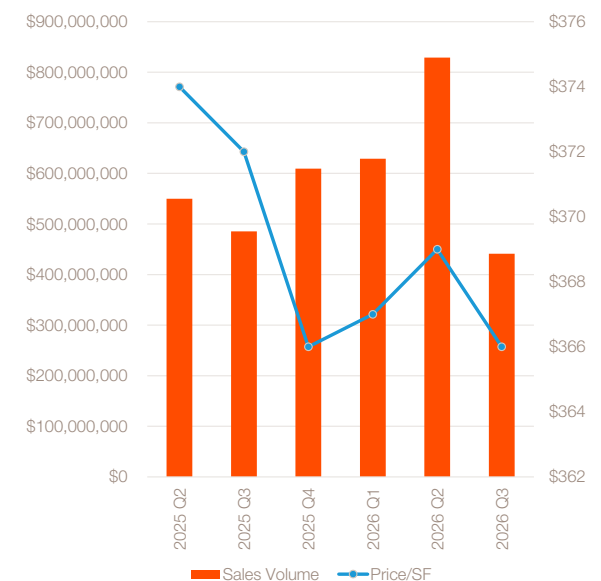

4.1%
Total Vacant Rate



Available Space (Direct vs. Sublet)



Sales Volume & Market Sale PSF



 **Leasing Activity**
3,613,058 SF

Average Sale Price PSF

< 20k SF	\$516 PSF
20k-80k SF	\$207 PSF
> 80k SF	\$285 PSF

	Net Rent	\$16.58 PSF
	Additional rent	\$4.27 PSF

 **9,743,000 SF**
Under Construction - 27 Buildings

11.8% change
vs. Q2 2026

GTA East

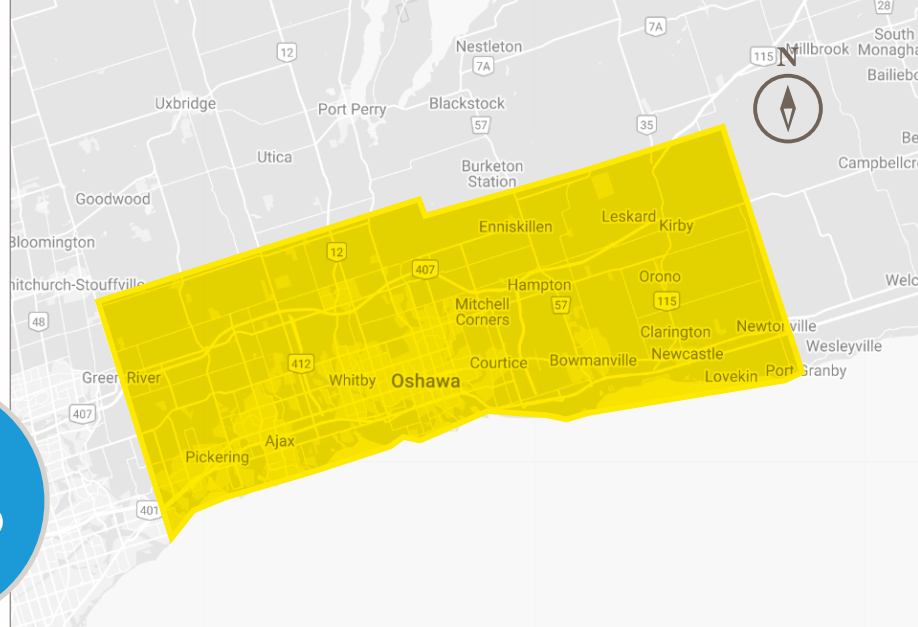
GTA East Stats

 Total Building Inventory
55,066,870 SF

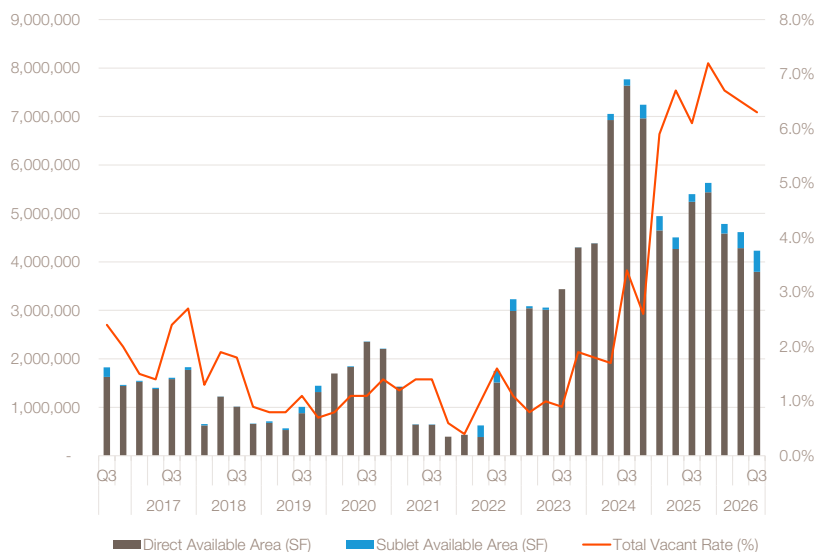
 Total Number of Buildings
904

 Total Available Area
4,230,109 SF

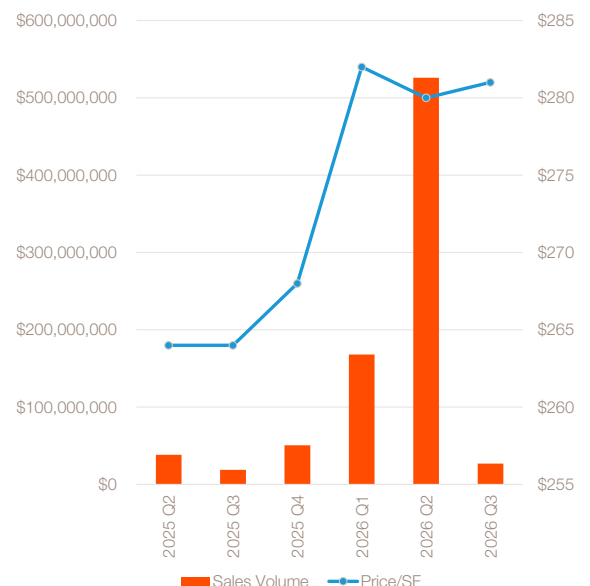

6.3%
Total Vacant Rate



Available Space (Direct vs. Sublet)



Sales Volume & Market Sale PSF



 **Leasing Activity**
169,352 SF

Average Sale Price PSF

< 20k SF	\$460 PSF
20k-80k SF	\$165 PSF
> 80k SF	\$285 PSF

	Net Rent	\$13.69 PSF
	Additional rent	\$4.36 PSF

 **1,245,222 SF**
Under Construction - 11 Buildings
0% change vs. Q2 2026

Q3 2026 Significant Transactions

Sales above \$15 Million in the GTA

Address	City	Building Size (SF)	Clear Height (ft)	Sale Price	Price PSF	Transaction Date
200 Aviva Park Drive	Vaughan	239,581	30'0"	\$62,000,000	\$258.79	7/15/2026
750 Creditstone Road (Part of a 2 Property Portfolio)	Vaughan	176,535	24'0"	\$58,128,159	\$329.27	8/5/2026
121 Pippin Road (Part of a 2 Property Portfolio)	Vaughan	169,500	24'0"	\$56,871,841	\$335.53	8/5/2026
3100 Harvester Road (Part of a 3 Property Portfolio)	Burlington	118,532	28'0"	\$35,700,000	\$301.18	8/17/2026
3250 Harvester Road (Part of a 3 Property Portfolio)	Burlington	115,381	28'0"	\$33,270,000	\$288.35	8/17/2026
100 Market Drive	Milton	23,668	-	\$32,000,000	\$1,352.04	9/4/2026
1219 Corporate Drive	Burlington	103,119	30'0"	\$26,000,000	\$252.14	8/31/2026
875 Laurentian Drive (Part of a 3 Property Portfolio)	Burlington	91,030	28'0"	\$25,440,000	\$279.47	8/17/2026
151 Creditview Road	Vaughan	25,129	24'0"	\$24,000,000	\$955.07	9/1/2026
40 Millwick Drive	Toronto	94,129	-	\$23,500,000	\$249.66	9/4/2026
330 Spinnaker Way	Concord	54,611	24'0"	\$23,150,000	\$423.91	8/24/2026
30 Alden Road (Part of a 3 Property Portfolio)	Markham	62,381	-	\$23,023,466	\$369.08	8/19/2026
772 Warden Avenue	Toronto	81,152	16'7"	\$21,250,000	\$261.85	9/3/2026
94 Brockport Drive	Toronto	76,338	16'0"	\$20,750,000	\$271.82	7/24/2026
2285 Speers Road	Oakville	44,371	32'0"	\$18,000,000	\$405.67	7/10/2026
• 1125 Burns Street E	Whitby	70,091	20'0"	\$17,250,000	\$246.11	9/18/2026
20 Pullman Court	Toronto	42,765	17'3"	\$16,500,000	\$385.83	7/20/2026

• Lennard Deal

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Markham, ON L3R 0C9
905.752.2220

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Ottawa, ON K1S 5N4
613.963.2640

Waterloo Region

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Kitchener, ON N2G 4X8
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905.752.2220

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520-800 West Pender Street
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604.636.2620

Definitions

Availability Rate: The percent of space available for lease or sublease as of the last day of each quarter. It is the total available SF divided by the total Rentable Building Area (RBA).
Vacancy Rate: The percentage of space that is currently unoccupied and available for lease or sublease as of the last day of each quarter. For clarity, space that is currently available for sublease but is tenanted, would count towards the availability rate but not the vacancy rate.

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