FREEWAY REAL ESTATES INC

Market Report | Q2 2025

GREATER TORONTO AREA
INDUSTRIAL SECTOR

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Brokerage Services

Freeway Real Estates Inc. offers a comprehensive range of commercial real estate services designed to meet the diverse needs of our clients. We specialize in the sale and leasing of industrial, office, and commercial properties, providing end-to-end support throughout the transaction process. Our team brings deep market knowledge, strategic insight, and strong negotiation skills to help clients make informed decisions and achieve optimal outcomes.

We also provide full-service property management for large-scale sites, handling everything from maintenance oversight and lease administration to tenant relations and operational performance. Our proactive management approach ensures that every asset is protected, maintained, and positioned for long-term success.

Another key service we offer is the preparation of detailed Opinions of Value. These reports are backed by current market data and transactional insight, helping clients assess their properties for acquisition, disposition, financing, or strategic planning. Beyond these core areas, we also support clients with strategic planning, market research, office construction and transaction execution.

At Freeway, we are committed to providing professional, transparent, and client-focused service. Whether managing assets or closing deals, we approach every project with care, precision, and a clear focus on results.

Freeway Real Estates

Quick Glance

▼ $16.80	▲ $362	▲ 58M	▲ 4.2%
Asking Rent Per Sq. Ft.	*Average Asking Sale Price Per Sq. Ft.*	*Available Sq. Ft.*	*Vacancy Rate*

The arrows indicate if the value has increased or decreased since the last quarter.

GTA Industrial Market

Industrial Market Summary

Industrial vacancy rates across the GTA have been rising in recent quarters, largely due to a wave of speculative development that was launched during the peak of the post-COVID industrial boom. At the time, vacancy was exceptionally tight, bottoming out at 0.8% in late 2021. Developers responded with confidence, but the pace of new supply has since outstripped absorption. As a result, the vacancy rate has climbed to 4.3% and is projected to continue on this path, reaching approximately 4.25% by year-end.

Availability has also seen a notable increase, rising to 6.3% from a low of 1.8% at the end of 2021. This expansion, like the rise in vacancy, is largely driven by a surge in speculative development. Initially, the slowdown in leasing activity, particularly from third-party logistics providers, was the main factor behind rising availability. However, the narrative has since shifted, with growing concerns around tariffs and their potential impact on Canadian manufacturing, especially in Ontario's steel and automotive sectors.

GTA East and North GTA West have experienced the most material jump in vacancy and availability rates, having seen their inventory levels jump by roughly 29% and 32%, respectively, since Q1 2020, prior to the pandemic, and today, when tariffs weigh heavily on market sentiment.

GTA East, which was traditionally seen as a manufacturing location, may find that availability rates are more stubborn as the tariffs have a greater negative impact on manufacturing expansion. The impact on distribution and warehousing is slightly more nuanced. The tariffs will have a negative impact on the economy generally, which will hamper fundamentals for logistics space, but additional friction at the US border may benefit demand drivers for warehousing and storage space.

Net deliveries are relatively elevated compared to historical norms and will continue to be for the upcoming quarters as the speculative development boom completes its cycle. Deliveries are forecast to drop abruptly in the second half of next year. Currently, the market has 15.6 million SF of space under construction, equating to 1.7% of total inventory. For context, across Canada, 1.8% of the total inventory is under construction.

Rental growth, which peaked in 2022, has slowed down considerably. This year, rental growth is projected to turn negative across the GTA with all submarkets seeing rents fall. The current annual growth rate across the GTA is -0.3%.

Market participants note that rental growth will likely remain subdued or slightly negative for the next year and a half at least. This is due to the glut of supply being slower to absorb than had been hoped. While renewals are taking place, new deals are few and far between. This is likely due to both tariff uncertainty and the broader malaise surrounding the Canadian economy.

Over the past 12 months, the GTA industrial market recorded 770 transactions, totaling $5.2 billion in sales volume. Current cap rates range between 4.75% and 5%, and market participants continue to describe the environment as highly liquid. The primary factor holding back deal flow isn't a lack of capital or interest; it's optimism. Many institutional owners are choosing to hold onto assets in anticipation of a stronger market rebound over the next year.

Industrial Leasing Market Summary

Leasing activity across the GTA has begun to slow again, following a brief rebound in the second half of 2024. From late 2022 through mid-2024, leasing volumes had been trending downward, reflecting broader market adjustments to post-pandemic conditions and tighter capital markets.

While there was a short-lived resurgence in late 2024, momentum has since faded. The introduction of tariffs and growing fears of a trade war have weighed heavily on sentiment in 2025. Vacancy continues to rise as new supply outpaces demand, with the current rate sitting at 4.3%. Notably, this upward trend in vacancy was already underway before tariffs became a concern, those pressures are now expected to accelerate the imbalance.

According to a large-scale landlord, the majority of leasing activity is currently centered around renewals. New deals have slowed materially as occupiers take a wait-and-see approach. This is due to myriad factors, but the trade war is chief among them.

Large market-moving new deals are still occurring, notwithstanding the slowdown. For instance, Crespoint recently leased the entirety of their new 698,000 distribution centre in in Ajax (GTA East) to ID Logistics.

Availability rates, currently at 6.3%, are also rising. This is not solely driven by the addition of space, but also an increase in the sublet market, indicating that existing occupants are looking to vacate their spaces. However, this increase in sublet availability is focused on older, poor-quality stock, which is positive for new developments and may indicate a flight to quality, as rental growth subsides, and tenants gain more leverage in negotiations.

North GTA West, GTA East, and Brampton currently have the highest availability rates, with 10.1%, 7.1%, and 8.1%, respectively. Conversely, Central Toronto has the tightest availability at 3.3%. The 5-year average rates for vacancy and availability across the entire market are 1.9% and 2.4%, respectively.

Notable Lease Transactions

Q2 2025

Address	Size (SF)	Lease Type	Landlord	Tenant
777 Bayly St, Ajax	462,830	Extension	Dream Industrial REIT	Volkswagen
1565 Thornton Road N, Oshawa	369,773	Head Lease	Panattoni	Geodis
30 Labourer's Way, Vaughan	192,471	Head Lease	Fengate	Vinyl Pro Window
8995 Airport Road, Brampton	125,650	Extension	Granite REIT	EB Games Canada
30 Resolution Drive, Brampton	116,609	Head Lease	Pure Industrial	Carrier Enterprise

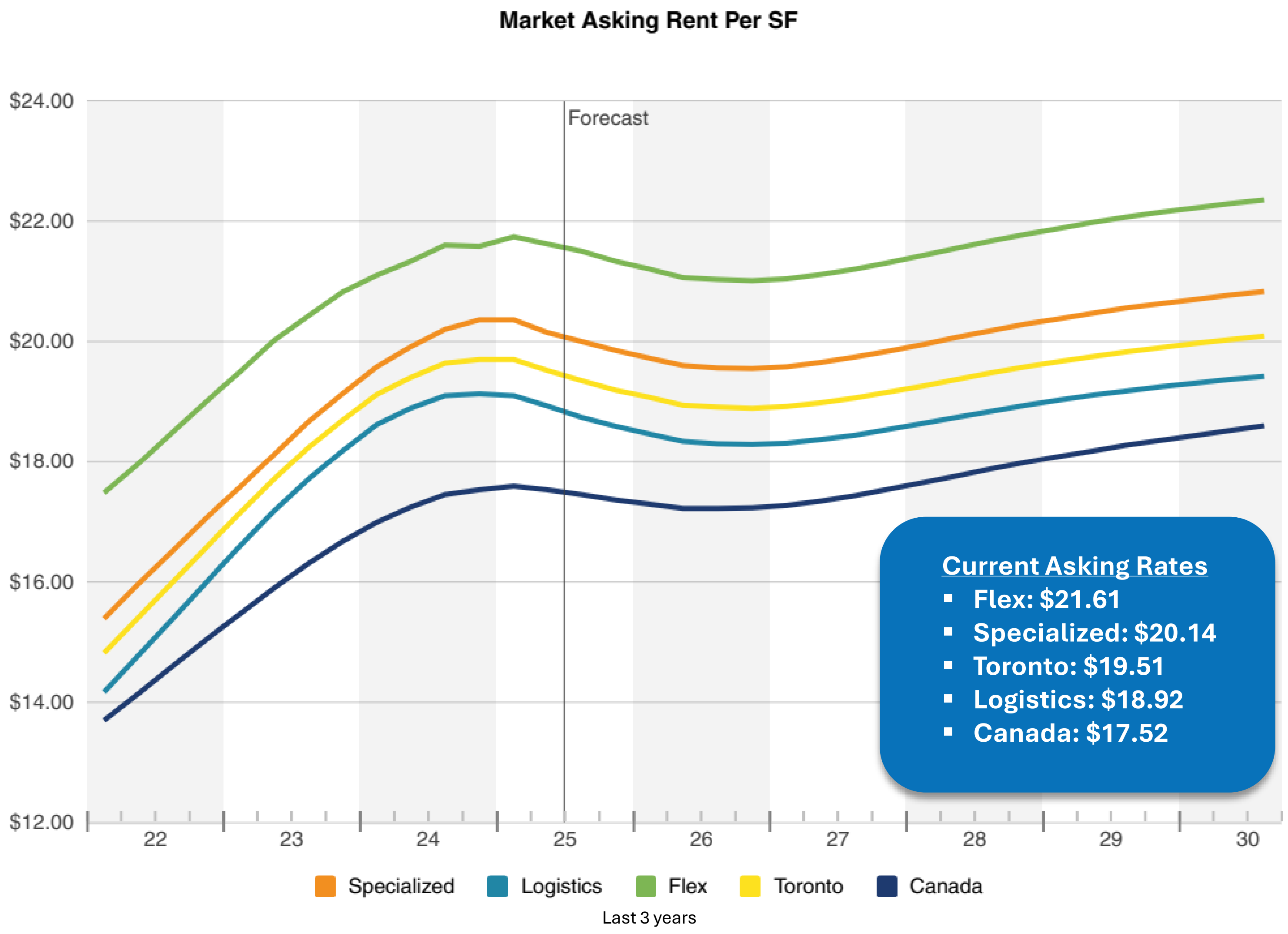
Rent – Asking Rates

Q2 2025

Currently, rents across the GTA sit at $19.40, compared with a national average of $17.50. The growth rate of -0.3% has slowed materially from a peak in 2022 of 16.2% and is due to invert by the end of the year. All submarkets are already seeing negative pressure on rents when analyzed on a quarterly basis.

The surge in rental growth was initially driven by strong demand and historically low vacancy rates. However, that momentum has reversed sharply. A combination of rising vacancy and trade-related uncertainty has led to a significant slowdown in rental growth, with negative growth now forecast over the next 12 months. Market participants broadly agree that a recovery in rents is unlikely before next year.

This slowdown is being felt across all submarkets, building types, and unit sizes—whether large or small, new or old. The widespread nature of the decline suggests that macroeconomic forces, rather than local fundamentals, are the primary drivers of current market conditions.



Current Asking Rates

- **Flex: $21.61**
- **Specialized: $20.14**
- **Toronto: $19.51**
- **Logistics: $18.92**
- **Canada: $17.52**

Rent – Daily Asking Rent per SF

Q2 2025

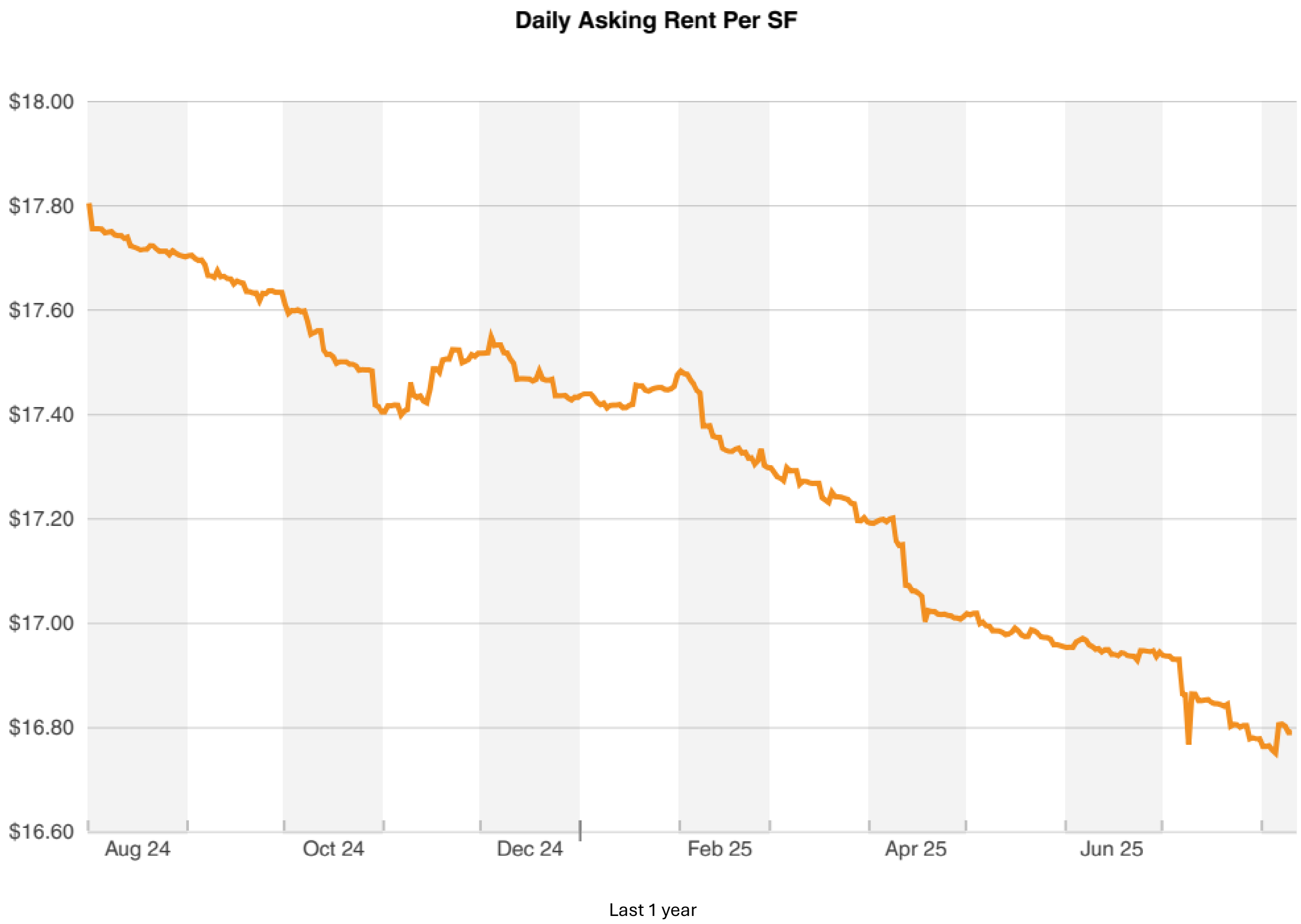
The data shows a clear and consistent downward trend in asking rents from just under $17.80/SF in late August to roughly $16.80/SF by early August the following year. This represents about a 5.6% decline over 12 months.

Potential Drivers:

- Increased supply (new developments or sublease space hitting the market).
- Softening demand due to macroeconomic factors (interest rates, business slowdown).
- Tenant leverage in negotiations due to higher vacancies.
- Competitive pricing pressure from nearby markets.

Strategic Implication:

For landlords, this is a tenant's market, and proactive lease renewals with competitive rates may prevent further erosion. For tenants, the trend suggests continued negotiating power in the near term, especially on longer lease terms or with added concessions.



GTA Industrial Market

Vacancy Rates

Q2 2025

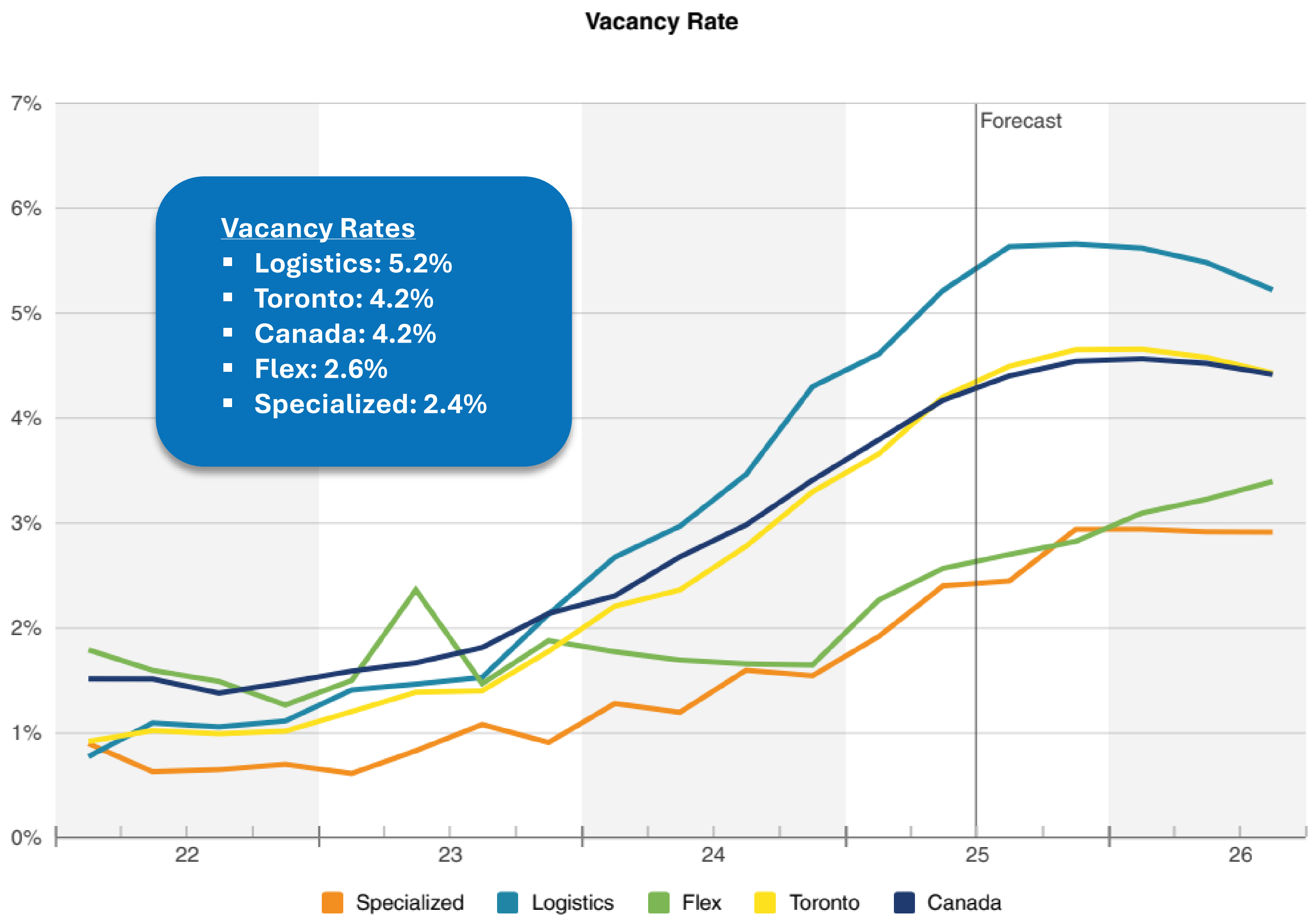
Vacancy rates are rising across all segments, led by Logistics, which jumped from 1% in 2023 to over 5.2% in 2025 before slightly easing. Toronto is tracking the national average (4.2%), while Specialized assets remain most resilient, peaking just under 3%. Flex space is climbing steadily toward 3.2% by 2026.

Potential Drivers:

- Large volumes of new supply from projects started during the 2021–2022 boom.
- Slower economic growth, tighter financing, and weaker expansion activity.
- Greater tenant leverage and longer leasing decision cycles.

Strategic Implication:

This is a soft market phase. Landlords should focus on retention and concessions to compete. Tenants and investors will find favorable negotiation conditions, particularly in overbuilt sectors like Logistics, while Specialized assets should hold their value better.



Last 3 years

Available Space

Q2 2025

Available space in the market (orange bars) has more than doubled from under 20M SF in early 2022 to roughly 58M SF by mid-2025. This indicates a significant loosening of market conditions.

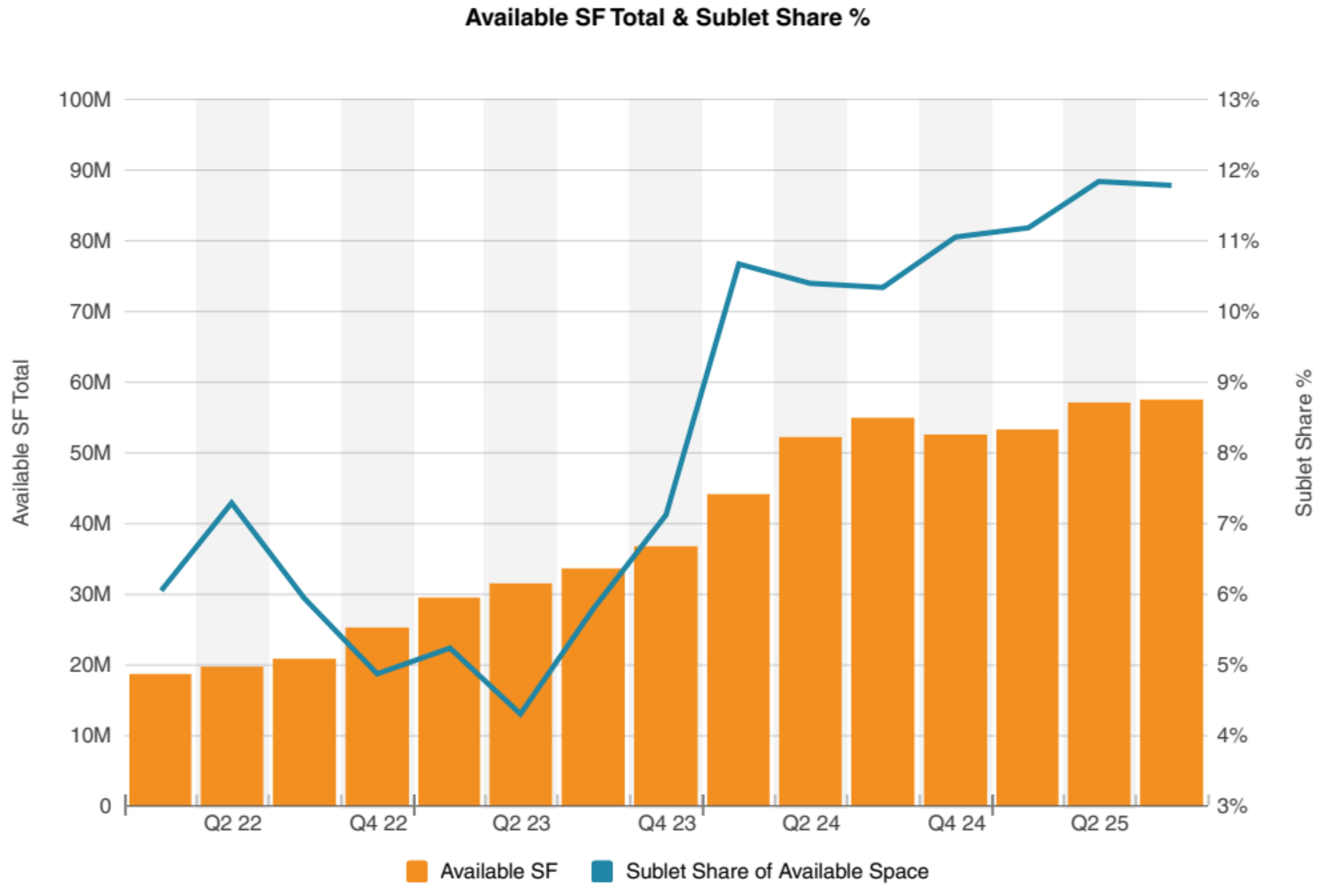
The percentage of available space being offered for sublease was volatile in 2022–2023 (peaking around 11% early on, then dropping to 4% by mid-2023). Since late 2023, it's surged to nearly 12%. The highest in the period shown.

Potential Drivers:

- Corporate Consolidation: Companies shedding space they no longer need.
- New Deliveries: Additional supply hitting the market adds to overall availability.
- Lag in Demand Recovery: Leasing activity not keeping pace with supply growth.
- Sublease Competition: Higher sublet share means more discounted, flexible lease terms competing against direct space.

Strategic Implication:

A high and rising sublet share is a tenant's advantage. More choices, shorter commitments, and lower rents. For landlords, this environment demands aggressive leasing incentives, creative deal structures, and possibly reconfiguring large blocks into smaller, more flexible spaces.



Last 3 years

Industrial Sales Market Summary

The industrial investment market in the Greater Toronto Area (GTA) has shown resilience when compared to other asset classes. Market participants note that liquidity remains in the market, notwithstanding concerns about the ongoing trade war and the broader Canadian economy.

12-month sales volumes amount to $5.2 billion across the market, accounting for a large part of the national sales volume of $9.3 billion over the same period. Brampton, Mississauga, and GTA East have seen the most activity so far this year, aggregating to over half of the market's transaction volumes in the first half of the year, or roughly $1.25 billion.

Industrial cap rates across the GTA are currently 4.75%- 5%, having expanded roughly 75 bps since their trough at the end of 2021. Market sale prices have reached roughly $370 per SF, with GTA North commanding the highest prices on a per SF basis and GTA East having the lowest.

At the beginning of May, a private investor acquired two industrial properties on Escarpment Way in Milton (North GTA West), totaling 91,000 SF, from SSP Group.

The introduction of tariffs, and the looming possibility of more, has had a dampening effect on investment sales across all sectors. However, according to a major landlord, many owners are holding onto their assets with a more optimistic view of the year ahead. Liquidity remains in the market, but a lack of available product is limiting transaction volume.

At the same time, domestic concerns are also weighing on Ontario's industrial real estate outlook. Property taxes across the province are expected to rise, potentially as early as 2026. The Municipal Property Assessment Corporation (MPAC) reassesses property values every four years to determine market value, which in turn drives property tax calculations. Due to pandemic-related delays, the 2020 reassessment was postponed, and properties have continued to be taxed based on 2016 values. These long-awaited reassessments have now been completed and are expected to take effect in the coming years, though the exact timeline remains uncertain.

Since 2016, industrial property values have surged, up 235% on a per-square-foot basis, compared to just 22.5% inflation over the same period. This sharp appreciation points to a significant increase in tax liability for both owners and occupiers. While this may prompt some to bring assets to market, boosting transaction volumes, it could also put downward pressure on pricing.

Notable Sales Transactions

Q2 2025

Address	Size (SF)	Sale Price	Seller	Buyer
7900 Airport Road, Brampton	745,121	$253,000,000	Unilever Canada	Crestpoint
1218 South Service Road, Oakville	256,101	$59,175,000	Crestpoint	Dream Industrial REIT
50 Precidio Court & 100 Corporation Drive, Brampton	140,000	$44,550,000	Manna Industrial	Lotus Capital
6865 Northwest Drive, Mississauga	140,759	$44,000,000	Triovest	Janda Logistics
33 West Beaver Creek Road, Richmond Hill	183,394	$39,500,000	Eurofase	Kingsett Capital

Industrial Sales Activity

Q2 2025

Prices per SF have just passed their peak at around $362/SF and are starting to edge down, while national averages sit near $300/SF. Sales volumes have dropped sharply from the 2021–2022 highs above $2.5B to well under $1B, signaling a shift from rapid growth to a cooling phase with fewer transactions but historically high prices.

Potential Drivers

High Interest Rates & Financing Costs: Capital remains expensive, reducing investor appetite and forcing repricing across asset classes.

Economic Uncertainty: Slower GDP growth and cautious business expansion, particularly in logistics and manufacturing, are dampening demand.

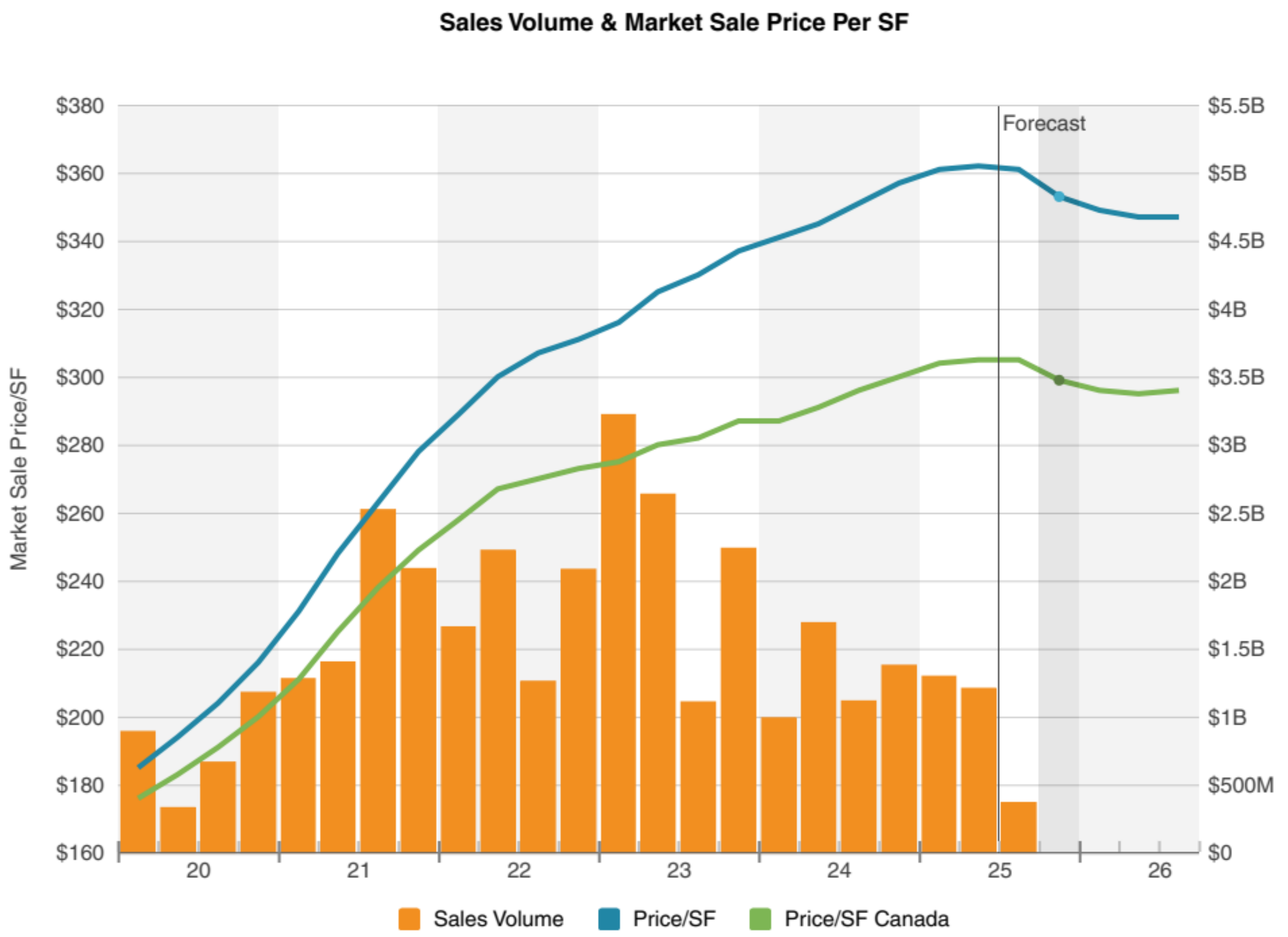
Post-Pandemic Demand Shift: E-commerce and supply chain needs have normalized from their 2020–2022 surge, lowering urgency for space.

Strategic Implications:

Sellers: Peak pricing has passed. Adjust price expectations; prime assets can still draw premiums.

Buyers: Market correction offers entry opportunities; lock in terms ahead of rate cuts.

Developers: Focus on pre-leased/build-to-suit; secure resilient tenant sectors.



Last 5 years

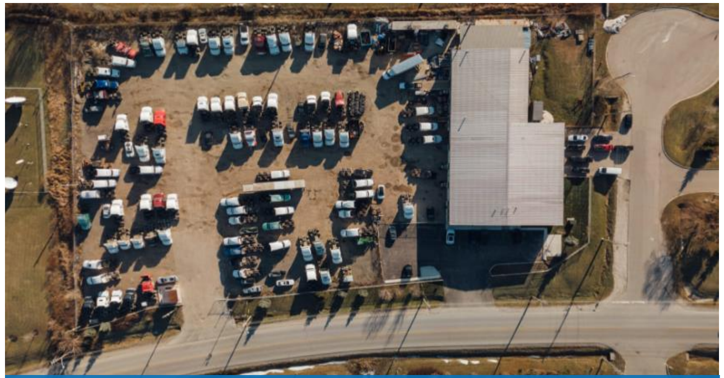
Current Listings

For Sale and For Lease

8125 Dixie Road, Brampton

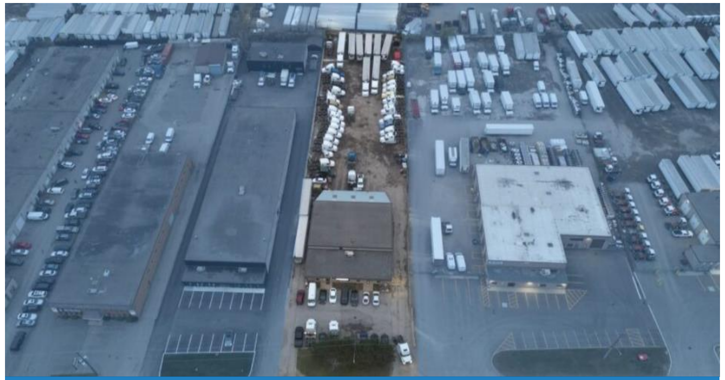
Office | 10,124 SF | $7,900,000

8270 Lawson Road, Milton



3.23 Acres | 15,862 SF | $19,900,000

1801 Shawson Drive, Mississauga



6,901 SF | $9,900,000

81 Todd Road, Halton Hills

Office| 8,677 SF |

190 Goodrich Drive, Kitchener

17.8 + Acres | 75,424 SF | $40,000,000

To view a comprehensive list of properties we’ve listed, please visit our website:

www.freewaygroup.ca/real-estate/

Recent Success

Sales Experience

2600 North Park Dr, Brampton

30 + Acres | 331,000 SF | $110,000,000

76 Sun Pac Blvd, Brampton

8 + Acres | 22,792 SF | $42,500,000

440 – 476 Beards Ln, Woodstock

10 + Acres | $9,000,000

385 Thomas St, Ingersoll

6 Acres | $5,400,000

5470 Walker Rd, Tecumseh

4 + Acres | 10,137 SF | $8,000,000

To view a comprehensive list of properties we've sold and leased, please visit our website:

www.freewayrealestates.com

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