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Data Centres and the Real Estate Behind the Digital Economy: What Ontario Owners and Investors Need to Know

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By Arturo Pugliese and Matt Gaulton, Student-at-law

The artificial intelligence boom has turned a once-obscure category of industrial real estate into one of the most talked-about asset classes in Ontario. From hyperscale campuses to small modular facilities tucked beside cell towers, data centres are reshaping how lawyers, landowners, developers, and investors think about commercial property. For real estate investors, understanding the fundamentals is no longer optional.

Why Data Centres Are a Real Estate Story

At their core, data centres are specialized industrial buildings that house servers and related IT infrastructure. But from a transactional perspective, they behave very differently from a typical warehouse or manufacturing facility. The value of the underlying land is driven less by square footage and more by access to three scarce inputs: power, fibre connectivity, and cooling.

Ontario leads Canada in data centre development, with more than 80 existing facilities and substantial growth on the horizon. The Greater Toronto Area (the "**GTA**") is the country's most mature market, with Toronto reaching roughly 312 MW of operational capacity in 2025, and a construction pipeline that nearly doubled to 236 MW in the first half of the year alone, according to Cushman & Wakefield. Canada's National Observer has separately identified at least 15 proposed hyperscale projects across the province, with a combined capacity of more than 2,200 MW.

Current GTA Hyperscale and Colocation Projects

Several high-profile projects illustrate just how active the GTA market has become:

- **Yondr Group's Toronto facility**: Yondr's first Canadian data centre broke ground in January 2025 on a 4.5-acre Toronto site. The three-storey, 27 MW colocation facility is scheduled to reach ready-for-service status by mid-2026 and features a closed-loop cooling design that eliminates ongoing water consumption.
- **The Langstaff Road project in Markham**: A 112 MW project on Langstaff Road is one of the largest single contributors to Toronto's recent pipeline growth, with roughly 360 MW planned for the broader area over the long term.
- **Prologis Mississauga data centre proposal:** A major new data centre is proposed for a business park in northwest Mississauga, where the developer has filed applications for a two-storey, ~220,000 sq ft facility alongside two industrial buildings. The project is being positioned as one of the largest data centre builds currently under consideration in the GTA.
- **Microsoft's Ontario expansion**: Microsoft has announced approximately $7.5 billion in Canadian cloud and AI infrastructure investment, with its first new Canadian facility expected to come online in the second half of 2026. Invest Ontario has been working with the company since 2023 to facilitate site selection and municipal coordination.

- **55H high-density colocation**: This AI-focused facility just north of Toronto is scheduled to increase capacity through 2025 and again in 2026 to meet demand from AI clients.
- **Milton land assembly**: Roughly 60 hectares of farmland near the Halton Hills Generating Station is being openly marketed as one of the last parcels of its scale in the Greater Toronto Area suitable for hyperscale data centre development. The Town of Milton has confirmed it has been approached by Logistics Land Investments, though no formal application has been filed to date.
- **Beeches Development in Leaside**: A proposed 87,000 sq ft, seven-storey data centre on Wicksteed Avenue illustrates how infill data centre development is now pushing into established urban areas, not just greenfield sites in the 905.

Key Real Estate Considerations

From a legal and transactional standpoint, a data centre deal looks less like a standard industrial closing and more like a hybrid of real estate, infrastructure, and regulatory work. Early-stage decisions tend to drive success or failure. The critical considerations typically include:

1. **Power availability and interconnection.** In Ontario, the connection process involves both the Independent Electricity System Operator (IESO) and the relevant local transmitter or distributor. Interconnection approval and implementation for a new facility can take up to three years. Developers must often make upfront capital contributions for high-risk connections and post expansion deposits for distribution-level projects.
2. **Zoning and municipal approvals.** Many Ontario municipalities have not yet developed purpose-built zoning frameworks for data centres. Site plan control, noise by-laws (generators and chillers are loud), and water-use restrictions (for cooling) are all flashpoints. Even within the City of Toronto, some local councillors have publicly said they were unaware of significant data centre proposals in their wards — a reminder that early, proactive engagement with planning staff pays dividends.
3. **Long-term site control.** Because of the multi-year lead time on power and construction, operators strongly prefer fee simple ownership or very long-term ground leases, often 30+ years with renewal options. Standard commercial lease templates rarely fit without significant amendment.
4. **Environmental and infrastructure due diligence.** Data centre sites require robust geotechnical, environmental, and utility investigations. Proximity to high-voltage transmission lines, fibre routes, and water or reclaimed-water sources can dramatically affect value.
5. **Tax and incentive planning.** Municipal property taxation, development charges, and provincial incentive programs (including those flowing through Invest Ontario) all warrant early review.

The Rise of Micro Data Centres

While headlines focus on hyperscale campuses drawing hundreds of megawatts, a quieter revolution is happening at the other end of the spectrum. Micro data centres, typically modular, container-style facilities that can process and store data in footprints of less than 100 square feet, are being deployed to support edge computing, 5G networks, autonomous vehicles, smart buildings, and IoT applications.

For Ontario property owners, this trend creates a genuinely new revenue opportunity. A commercial landlord with a well-located rooftop, basement, or corner of a parking lot may be able to ground-lease a small footprint to an edge operator. These arrangements typically involve:

- Short-form ground leases or licence agreements rather than full commercial leases;
- Access, power, and fibre easements carefully drafted to avoid interfering with other tenants;
- Noise, heat, and aesthetic covenants that protect the rest of the property; and
- Termination and relocation rights that preserve the owner's flexibility for future redevelopment.

The documentation is often shorter than a hyperscale deal, but the long-term implications for property use, financing, and future sale should not be underestimated.

Practical Takeaways

For Ontario owners, developers, and investors, the data centre sector offers real opportunity, but only with careful front-end planning. Whether you are selling excess industrial land to a hyperscaler in Milton or Markham, negotiating a ground lease for a micro facility on a retail property, or simply trying to understand how a neighbouring project will affect your holdings, early legal advice is essential. The deals move quickly once power and zoning align, and the documents are rarely "standard."

If you are considering a data centre transaction in Ontario, I would be glad to discuss how the considerations above apply to your specific property or project.

For more information or inquiries:

Arturo Pugliese

Toronto
416.619.6281

Email:
apugliese@weirfoulds.com

Arturo Pugliese is a Partner in the Real Estate Practice Group and Co-Chair of the Franchise Law Practice Group at WeirFoulds LLP. His practice focuses on real estate transactions, particularly in the areas of purchase and sale, financing and commercial leasing.