

# MARKETBEAT

## Greater Toronto Area, ON

Industrial Q2 2018



### GREATER TORONTO AREA

#### Economic Indicators

	Q2 17	Q2 18	12-Month Forecast
GTA Employment	3.3 mil	3.3 mil	▲
GTA Unemployment	6.9%	6.2%	▼
Canada Unemployment	6.6%	5.8%	■

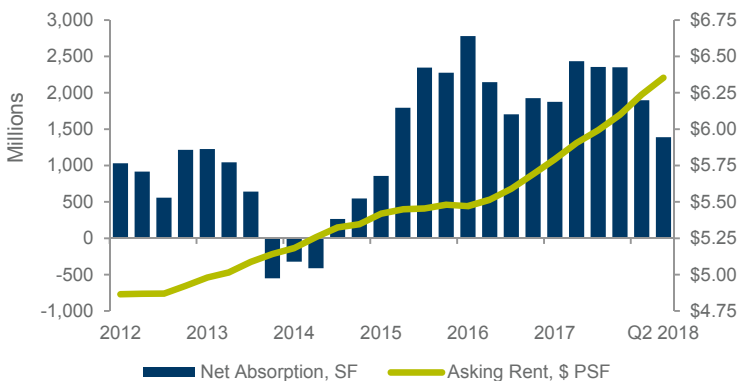
Source: Statistics Canada

#### Market Indicators (Overall, All Product Types)

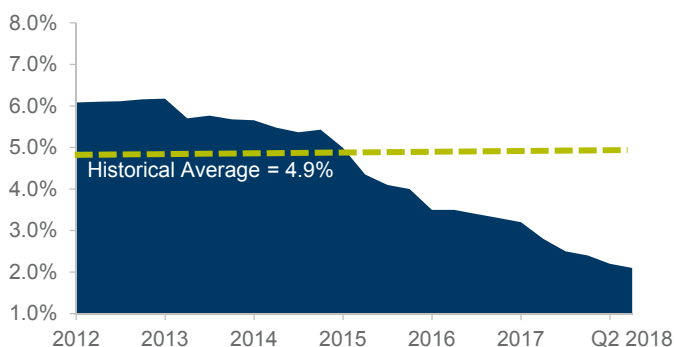
	Q2 17	Q2 18	12-Month Forecast
Overall Vacancy	2.8%	2.1%	▼
Net Absorption (sf)	3,334,141	1,302,865	▲
Under Construction (sf)	4,926,520	5,191,589	▲
Overall Average Asking Rent	\$6.09	\$6.55	▲

#### Net Absorption/Overall Asking Rent

##### 4Q TRAILING AVERAGE



#### Overall Vacancy



### Economy

Job growth has slowed compared to the impressive pace set in 2017; however, many view this as a reflection of tight labour conditions rather than lack of demand. GDP growth for the second quarter of 2018 is estimated to be around 2.2%, climbing from 1.3% in the previous quarter (RBC). The Bank of Canada (BoC) raised the interest rate in July 2018 by 0.25% to 1.5%, on account of upbeat activity and inflation data. Another hike is possible if fundamentals remain positive, although tariffs and uncertainty surrounding NAFTA could change the BoC outlook.

### Market Overview

GTA industrial availability hit yet another record-low of 2.1% in the second quarter of 2018, ten basis points lower than last quarter. Activity was strongest in the GTA West market, where availability hit a new low of 2.2%. Mississauga and Brampton both saw availability further tighten at 1.4% and 0.8% respectively. GTA leasing activity soared to an all-time high at 9.4 million square feet (msf), with preleasing accounting for 18.5% of that total. Mississauga had the highest share of leasing activity at 3.3 msf, accounting for 35.6%, followed by Brampton at 2.3 msf, accounting for 25.1% of all leasing activity. More than half of Brampton's leasing total can be attributed to the Canadian Tire 1.2-msf transaction, a design-build development scheduled for completion at the end of 2019. These incredible results underscore the unprecedented level of demand – and the challenge presented to developers to keep up.

The overall GTA industrial asking lease rate rose by 7.5% year-over-year to reach \$6.55 per square foot (psf) in the second quarter of 2018, causing sticker shock among some users. Markham came in with the highest rate at \$7.84 psf and ultra low availability of 1.7%. Overall, 793,000 sf of new speculative supply was completed in the second quarter of 2018, yet only 13% remained available at the end of the quarter. Just over 1.3 msf was absorbed in the second quarter of 2018, 250,000 sf higher than last quarter, putting another exclamation point on how powerful demand is outstripping supply in this blazing hot market. On the investment front, the most notable transaction in the second quarter of 2018 was KingSett Capital's acquisition of Cominar REIT's twelve multi-tenant flex office/industrial buildings in Mississauga for a total of 552,675 sf at \$164 psf.

### Outlook

By the end of 2018, we will have seen approximately 2.4 msf of speculative construction, and preleasing has already consumed more than 50% of that supply. Of the 5.2 msf in the construction pipeline, 78% is speculative and 22% is build-to-suit. This is very telling as it illustrates that demand is firing on all cylinders and developers are determined to meet it.

Powerful momentum and a serious scarcity of space will remain the story going forward. That said, the potential of an escalating trade war, particularly the threat of auto sector tariffs, could weigh heavily on business and the outlook for the overall Canadian economy.

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SUBMARKET	TOTAL BLDGS	INVENTORY (SF)	OVERALL AVAILABLE RATE	YTD LEASING ACTIVITY (SF)	YTD SALES ACTIVITY (SF)	YTD NET OVERALL ABSORPTION (SF)	UNDER CNSTR (SF)	YTD CNSTR COMPLETIONS (SF)	OVERALL WEIGHTED AVG. NET RENT*	OVERALL WEIGHTED AVG. TMI*	OVERALL WEIGHTED AVG. ASKING SALE PRICE
East York	296	16,443,942	0.2%	8,000	119,133	8,000	0	0	\$7.34	\$4.43	n/a
Etobicoke	1,125	68,863,372	3.2%	981,329	1,010,045	-575,134	0	0	\$5.65	\$3.31	\$205.19
North York	1,589	72,612,851	1.4%	1,015,218	748,148	-14,905	183,777	0	\$6.70	\$3.78	\$153.00
Scarborough	1,124	59,054,333	1.0%	1,030,328	646,292	191,113	23,063	0	\$6.45	\$3.82	\$120.07
Toronto	82	3,892,175	0.1%	0	10,000	-4,681	0	0	n/a	n/a	n/a
York	203	11,042,475	0.3%	0	24,575	-47,959	0	0	n/a	n/a	\$101.11
<b>GTA CENTRAL</b>	<b>4,419</b>	<b>231,909,148</b>	<b>1.7%</b>	<b>3,034,875</b>	<b>2,558,193</b>	<b>-443,566</b>	<b>206,840</b>	<b>0</b>	<b>\$6.06</b>	<b>\$3.52</b>	<b>\$124.26</b>
Bolton/Caledon	204	13,704,876	2.8%	538,743	107,250	263,699	1,182,337	189,721	\$6.60	\$2.42	\$232.15
Brampton	1,074	96,680,896	0.8%	2,760,739	1,181,152	624,305	219,078	149,632	\$6.66	\$3.35	\$211.06
Burlington	482	22,309,691	3.6%	108,452	501,960	95,601	99,497	0	\$7.18	\$3.55	\$84.76
Milton/Halton Hills	281	26,203,736	9.4%	868,552	68,533	314,122	303,463	252,195	\$6.69	\$2.53	n/a
Mississauga	3,199	174,401,602	1.4%	4,679,968	2,539,357	2,062,690	529,667	1,888,827	\$6.68	\$3.36	\$178.94
Oakville	458	23,211,099	3.6%	422,579	202,711	-490,732	98,549	0	\$6.92	\$2.91	n/a
<b>GTA WEST</b>	<b>5,698</b>	<b>356,511,900</b>	<b>2.2%</b>	<b>9,379,033</b>	<b>4,600,963</b>	<b>2,869,685</b>	<b>2,432,591</b>	<b>2,480,375</b>	<b>\$6.74</b>	<b>\$2.98</b>	<b>\$149.35</b>
Aurora	107	5,835,058	2.7%	30,219	0	0	0	0	\$7.68	\$3.40	n/a
Markham	703	31,663,174	1.7%	442,184	198,256	-81,885	0	0	\$7.84	\$3.51	n/a
Newmarket	144	6,180,581	1.7%	22,000	125,721	44,091	0	60,064	\$5.00	\$3.00	\$325.01
Richmond Hill	244	11,930,802	0.9%	223,948	191,405	-24,508	0	0	\$7.57	\$4.03	n/a
Vaughan	1,597	92,512,065	2.7%	2,296,445	715,090	-60,838	2,552,158	675,500	\$6.31	\$2.90	\$170.21
<b>GTA NORTH</b>	<b>2,795</b>	<b>148,121,680</b>	<b>2.3%</b>	<b>3,014,796</b>	<b>1,230,472</b>	<b>-123,140</b>	<b>2,552,158</b>	<b>735,564</b>	<b>\$6.78</b>	<b>\$3.11</b>	<b>\$219.15</b>
Ajax	140	7,310,052	0.2%	76,961	0	76,961	0	0	\$5.50	\$2.77	n/a
Oshawa	114	5,403,275	1.9%	0	369,500	338,549	0	0	\$7.14	\$3.34	\$121.76
Pickering	134	8,865,960	4.2%	96,692	178,749	-228,367	0	0	\$6.00	\$3.05	n/a
Whitby	110	8,193,673	4.0%	145,559	0	-133,200	0	47,670	\$6.42	\$3.46	n/a
<b>GTA EAST</b>	<b>498</b>	<b>29,772,960</b>	<b>2.7%</b>	<b>319,212</b>	<b>548,249</b>	<b>53,943</b>	<b>0</b>	<b>47,670</b>	<b>\$6.26</b>	<b>\$3.24</b>	<b>\$121.76</b>
<b>SUBURBAN</b>	<b>8,991</b>	<b>534,406,540</b>	<b>2.3%</b>	<b>12,713,041</b>	<b>2,532,239</b>	<b>2,800,488</b>	<b>4,984,749</b>	<b>3,263,609</b>	<b>\$6.71</b>	<b>\$3.03</b>	<b>\$155.88</b>
<b>GTA OVERALL</b>	<b>13,410</b>	<b>766,315,688</b>	<b>2.1%</b>	<b>15,747,916</b>	<b>8,937,877</b>	<b>2,356,922</b>	<b>5,191,589</b>	<b>3,263,609</b>	<b>\$6.55</b>	<b>\$3.15</b>	<b>\$147.74</b>

\* Inventory is based on existing buildings that are equal to or greater than 10,000 sf.\*Rental rates reflect asking \$psf/year

## Key Lease Transactions Q2 2018

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
10254 Hurontario Street	1,200,000	Canadian Tire	New Lease	Brampton
233 Madill Boulevard	446,160	Walmart Fulfillment Centre	New Lease	Mississauga
100 Gibraltar Road	383,194	Sobeys	New Lease	Vaughan

## Key User Sale Transactions Q2 2018

PROPERTY	SF	SELLER / BUYER	PRICE / \$PSF	SUBMARKET
20 Towns Road	180,000	2165991 Ontario Inc./ Forest Ridge Inc.	\$9,262,000 / \$51	Etobicoke
100 Pippin Road	113,314	Natco Home Group/ Franline Investments Limited	\$20,600,000 / \$182	Vaughan
82 Doney Crescent	60,260	Bander Realty Limited/ 2623115 Ontario Limited	\$7,200,000 / \$119	Vaughan
1200 Britannia Road	45,984	Canadian Urban Limited/ Manitoulin Transport	\$7,250,000 / \$158	Mississauga

## Key Properties Under Construction Q2 2018

PROPERTY	SF	DEVELOPER / LANDLORD	EXPECTED COMPLETION DATE	SUBMARKET
100 Gibraltar Road	383,194	Anatolia Capital Corp.	Q4 2018	Vaughan
220 Hunter's Valley Drive	325,078	Condor (Boca East) Properties Inc.	Q3 2018	Vaughan
300 Gibraltar Road	285,000	Glen Corporation	Q4 2018	Vaughan
7245 Highway 50, Bldg 1	256,071	Anatolia Capital Corp.	Q3 2018	Vaughan
150 Gibraltar Road	256,000	Glen Corporation	Q4 2018	Vaughan
100 Pillsworth Road	216,095	Anatolia Capital Corp.	Q4 2018	Caledon
315 Madill Boulevard	127,625	Orlando Corporation	Q3 2018	Mississauga
3280 South Service Road	98,549	Melrose Investments Inc.	Q3 2018	Oakville
10911 Keele Street	89,945	Nancon Developments Inc.	Q3 2018	Vaughan

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