

MARKETBEAT

Greater Toronto Area, ON

Industrial Q3 2018



GREATER TORONTO AREA

Economic Indicators

	Q3 17	Q3 18	12-Month Forecast
GTA Employment	3.3 mil	3.3 mil	▲
GTA Unemployment	6.4%	6.1%	▼
Canada Unemployment	6.2%	5.9%	■

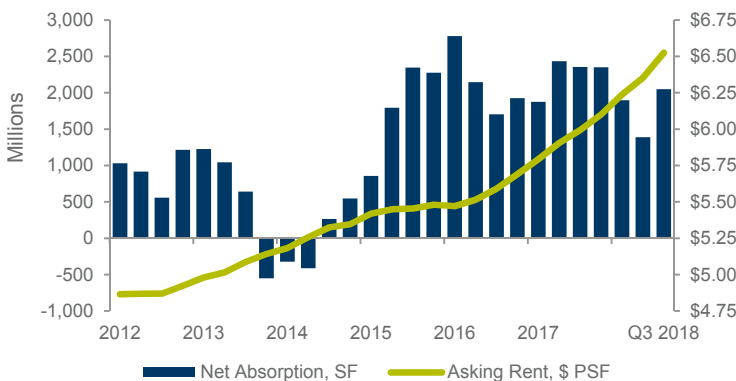
Source: Statistics Canada

Market Indicators (Overall, All Product Types)

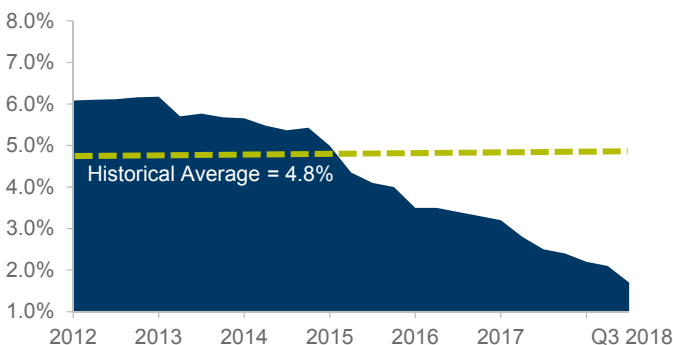
	Q3 17	Q3 18	12-Month Forecast
Overall Vacancy	2.5%	1.7%	▼
Net Absorption (sf)	1,588,856	4,232,840	▼
Under Construction (sf)	5,434,182	9,551,721	▼
Overall Average Asking Rent	\$6.09	\$6.78	▲

Net Absorption/Overall Asking Rent

4Q TRAILING AVERAGE



Overall Vacancy



Economy

Canadian job growth rebounded in September 2018 as 63,000 jobs were created, driving the unemployment rate to 5.9%, with the majority of the job gains concentrated in Ontario and B.C. Labour demand remains healthy and surveys point to growing job shortages, yet hourly pay growth has been slow to follow, which should keep a lid on inflation. One of the most significant occurrences this quarter was the new trade agreement (USMCA) that was reached between the U.S., Mexico and Canada. This new deal reduces trade uncertainty, and effectively exempts Canada from auto tariffs for the first 2.6 million Canadian made-cars imported by the U.S. every year (the U.S. currently imports about 1.8 million per year). This exemption allows room for growth and provides relief for the auto sector. GDP growth is expected to expand to 2.2% in 2018 and 2019.

Market Overview

The GTA industrial market continues to put in a strong performance, with availability dipping in the third quarter of 2018 by 40 basis points to an all-time low of 1.7%. The GTA West availability rate fell to 1.9%, while the GTA North availability rate bottomed out at 1.5%.

Landlords and developers are scrambling to relieve supply shortages and keep up with the unrelenting demand. A record-high 9.4 million square feet (msf) is currently under construction - 66% speculative; 34% build to suit. The lion's share of development activity (56%) is located in the GTA West market, followed by the GTA North market at 26%.

Average asking lease rate jumped 11% year-over-year to \$6.78 per square foot (psf). Absorption reached 4.2 msf in the third quarter of 2018, the highest level since the fourth quarter of 2012 when it totaled 4.7 msf. Leasing and sales activity hit highs of 8.0 msf and 5.8 msf, respectively. Preleasing accounted for 23% of the total activity, bolstered by Amazon securing over 1.0 msf in Caledon. Of all the asset classes, which includes industrial, commercial/retail and office space, industrial activity eclipsed them all, accounting for nearly 75% of total space leased in the third quarter of 2018 (TREB). E-commerce and logistics remain the main drivers of this unprecedented growth cycle across the GTA industrial markets.

Outlook

The legalization of cannabis will spur demand although lengthy municipal approval processes and supply shortages will remain barriers to tenants seeking space. Generally, tenants who negotiated deals two years ago are in a better rental rate position than those in the market today. Market confidence remains bullish, as evidenced by the amount of speculative construction underway as well as planned construction. In the third quarter of 2018, 53% of speculative developments were already preleased. The scarcity and high cost of land, rising cost of raw materials and labour, and high development fees are just some of the factors that will continue to exert upward pressure on rental rates. With limited supply and increased rent and sale prices in the GTA, more tenants will need to widen their search to secondary markets.

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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	279	16,078,010	0.3%	22,500	130,133	500	0	0	\$10.76	\$3.89	n/a
Etobicoke	1,125	68,837,080	2.6%	1,437,974	1,441,879	-266,222	0	0	\$5.94	\$3.35	\$200.15
North York	1,588	72,548,402	1.2%	1,770,291	986,840	97,033	924,665	0	\$6.96	\$3.78	\$166.57
Scarborough	1,123	58,945,897	1.1%	1,890,679	1,055,854	120,494	700,591	0	\$6.48	\$3.54	\$103.85
Toronto	81	3,826,286	0.0%	0	10,000	-4,681	0	0	n/a	n/a	n/a
York	201	10,963,680	0.0%	0	24,575	-47,959	0	0	n/a	n/a	n/a
GTA CENTRAL	4,397	231,199,355	1.5%	5,121,444	3,649,281	-100,835	1,625,256	0	\$6.39	\$3.51	\$134.58
Bolton/Caledon	203	13,685,376	1.1%	1,671,070	107,250	343,338	1,303,838	189,721	\$8.38	\$2.84	\$140.03
Brampton	1,073	96,216,456	0.4%	3,278,040	1,480,589	1,365,990	2,063,218	149,632	\$6.75	\$3.56	\$241.44
Burlington	483	22,391,524	3.1%	242,562	1,020,935	112,376	103,195	0	\$6.47	\$3.11	\$118.82
Milton/Halton Hills	283	26,388,736	8.4%	1,351,549	68,533	1,018,078	583,169	297,195	\$6.67	\$2.50	\$262.71
Mississauga	3,200	174,713,579	1.3%	6,176,522	4,324,552	3,243,270	1,325,887	2,193,744	\$7.11	\$3.41	\$214.80
Oakville	460	23,328,148	3.8%	464,837	338,798	-469,289	0	98,549	\$7.25	\$3.02	n/a
GTA WEST	5,702	356,723,819	1.9%	13,184,580	7,340,657	5,613,763	5,379,307	2,928,841	\$6.89	\$3.00	\$195.89
Aurora	106	5,799,136	2.1%	68,649	65,437	9,590	0	0	\$7.58	\$3.54	\$220.63
Markham	705	31,081,793	2.4%	538,127	880,671	-286,105	0	0	\$8.01	\$3.68	\$286.71
Newmarket	154	6,951,746	1.3%	22,000	125,721	-24,559	0	60,064	\$7.95	\$3.00	\$255.10
Richmond Hill	252	13,119,474	0.6%	271,074	196,845	1,265	0	0	\$8.30	\$4.03	\$272.51
Vaughan	1,598	92,502,552	1.4%	3,857,734	1,073,895	1,148,114	2,547,158	675,500	\$6.34	\$2.92	\$260.07
GTA NORTH	2,815	149,454,701	1.5%	4,757,584	2,342,569	848,305	2,547,158	735,564	\$7.12	\$3.24	\$264.95
Ajax	136	7,154,420	0.3%	106,589	188,017	88,581	0	0	\$10.24	\$6.00	n/a
Oshawa	114	5,399,540	3.1%	0	385,051	252,846	0	0	\$6.32	\$3.11	n/a
Pickering	134	8,865,960	4.1%	162,237	369,383	-215,476	0	0	\$6.16	\$3.13	n/a
Whitby	111	8,207,851	1.1%	383,587	429,245	102,578	0	47,670	\$6.21	\$3.25	n/a
GTA EAST	495	29,627,771	2.2%	652,413	1,371,696	228,529	0	47,670	\$6.32	\$3.23	n/a
SUBURBAN	9,012	535,806,291	1.8%	18,594,577	11,054,922	6,690,597	7,926,465	3,712,075	\$6.90	\$3.07	\$214.09
GTA OVERALL	13,409	767,005,646	1.7%	23,716,021	14,704,203	6,589,762	9,551,721	3,712,075	\$6.78	\$3.18	\$187.98

* 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 Q3 2018

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
12724 Coleraine Drive	1,021,611	Amazon Fulfillment Centre	New Lease	Caledon
400 Nugget Avenue	635,124	Technicolour Home Entertainment	New Lease	Scarborough
9501 Highway 50	600,000	DHL	New Lease	Vaughan

Key User Sale Transactions Q3 2018

PROPERTY	SF	SELLER / BUYER	PRICE / \$PSF	SUBMARKET
100 Pippin Road	113,314	Natco Home Group (Multy Home Corporation)/Franline Investments Limited	\$20,600,000 / \$182	Vaughan
3641 McNicoll Avenue	110,130	Blackwood Partners / 1958885 Ontario Inc.	\$15,500,000 / \$141	Scarborough
860 Harrington Court	93,450	Crawford Metal Corp. / Cladco Limited	\$5,600,000 / \$60	Burlington
1296 South Service Road West	79,861	Canadian Urban Limited / U-Haul Ltd.	\$14,000,000 / \$175	Oakville

Key Properties Under Construction Q3 2018

PROPERTY	SF	DEVELOPER / LANDLORD	EXPECTED COMPLETION DATE	SUBMARKET
2233 Sheppard Avenue West	823,514	I.G. Investment Management, Ltd.	Q4 2019	North York
100 Gibraltar Road	383,194	Anatolia Capital Corp	Q4 2018	Vaughan
0 Tapscott Road	382,450	First Gulf Tapscott Limited; Sun Life Assurance	Q2 2019	Scarborough
20 Westbridge Drive	324,706	QuadReal Property Group Limited Partnership	Q3 2019	Halton Hills
2299 Hogan Drive	303,918	Orlando Corporation	Q1 2019	Mississauga
6050 Millcreek Drive	303,653	Orlando Corporation	Q3 2019	Mississauga
75 Venture Drive	295,078	PIRET Venture Drive GP Co Inc.	Q2 2019	Scarborough
7171 Highway 50 South	253,837	Anatolia Capital Corp	Q1 2019	Vaughan
7855 Heritage Road	219,078	Orlando Corporation	Q4 2018	Brampton

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