

# MARKETBEAT

## Greater Toronto Area, ON

Industrial Q4 2018



### GREATER TORONTO AREA

#### Economic Indicators

	Q4 17	Q4 18	12-Month Forecast
GTA Employment	3.4 mil	3.4 mil	▲
GTA Unemployment	6.0%	6.2%	▼
Canada Unemployment	5.7%	5.6%	■

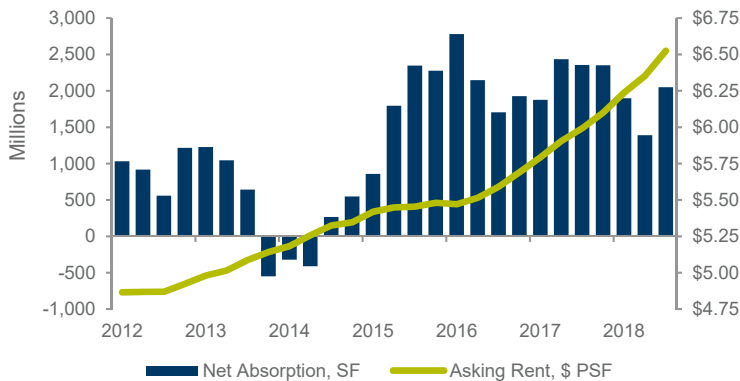
Source: Statistics Canada

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

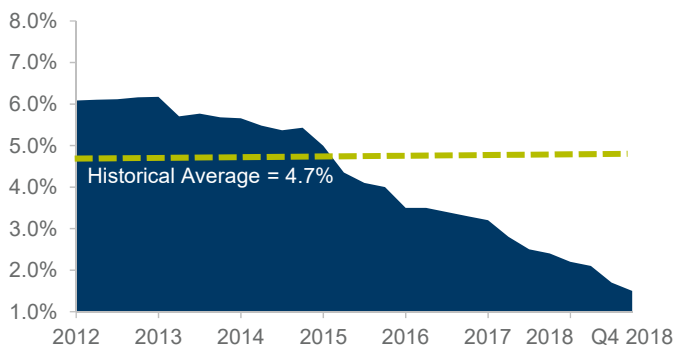
	Q4 17	Q4 18	12-Month Forecast
Overall Vacancy	2.4%	1.5%	▼
Net Absorption (sf)	1,608,483	2,950,429	▼
Under Construction (sf)	6,197,144	9,548,317	▼
Overall Average Asking Rent	\$6.29	\$7.40	▲

#### Net Absorption/Overall Asking Rent

##### 4Q TRAILING AVERAGE



#### Overall Vacancy



### Economy

The Bank of Canada kept its benchmark interest rate steady at 1.75% in December. Due to rising domestic and international economic risks, most observers now expect to see two, not three, rate hikes in 2019, with the interest rate now anticipated to reach 2.25%. The Canadian economy is expected to cool in 2019, with GDP growth projected to expand by 1.7% instead of 2.1% that was previously forecasted.

Home sales in Toronto fell 16% in 2018 (TREB), compared to 32% in Vancouver. The GTA unemployment rate rose marginally in the fourth quarter to 6.2%, with the overall Canadian unemployment rate at 5.6%, its lowest level since 1976.

### Market Overview

Not even colder weather could cool down the GTA industrial market in the fourth quarter of 2018. With nonstop demand from eCommerce and 3PL companies, new records were reached throughout 2018. In the fourth quarter the overall availability rate plunged to a rock-bottom 1.5%, pushing the rental rate up to \$7.40 per square foot (psf) – an 18% increase year-over-year (YoY) and new record high.

Availability rates hit new lows of 1.7% and 1.3% in GTA West and North, respectively. While all GTA markets broke records in rental rates this quarter, GTA West saw record leasing activity at 17.9 million square feet (msf) in 2018, and the average asking rent increased by 14% YoY to \$7.39 psf. GTA North's YoY increase was 10% to \$7.21 psf.

What a year it was! Overall leasing activity soared to 30.5 msf, with the West market contributing 69% of the total. Annual absorption hit 9.5 msf -- the third highest level since 2003, when it totaled 10.5 msf. Of the 6.4 msf of new supply that arrived in 2018, less than 1% remained available in the fourth quarter of 2018.

Not surprisingly, relentless demand and supply shortages have fueled construction activity. At year-end, 9.5 msf of new developments were underway, with build-to-suits accounting for 5.4 msf. Of the 4.2 msf of speculative developments, 2.2 msf (52%) was already preleased in the fourth quarter. The three largest projects are built-to-suits, with the 1.4 msf Canadian Tire in Brampton at the top of the list, followed by Amazon at 1.0 msf in Caledon and UPS at 850,000 sf in Caledon.

### Outlook

As retail continues to evolve and online shopping takes greater hold, demand for well-located distribution and warehouse space will remain the story. Tightening markets, robust leasing activity and limited supply, along with higher land prices and development charges will exert continuing upward pressure on the rental rates. The availability rate is expected to fall even further, triggering more construction as developers scramble to keep up with intense demand.

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SUBMARKET	TOTAL BLDGS	INVENTORY (SF)	OVERALL AVAILABLE RATE	YTD LEASING ACTIVITY (SF)	YTD SALES ACTIVITY (SF)	YTDNET 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	0.1%	47,321	130,133	25,321	0	0	\$11.00	\$3.00	n/a
Etobicoke	1,125	68,852,670	1.4%	1,933,716	1,985,104	209,677	0	0	\$6.46	\$3.33	\$197.53
North York	1,587	72,514,916	1.2%	2,112,084	1,149,412	63,948	924,665	0	\$7.71	\$3.82	\$157.91
Scarborough	1,123	58,980,250	1.6%	2,099,325	1,372,566	-234,205	700,591	0	\$8.61	\$3.87	\$167.64
Toronto	83	4,255,584	0.0%	0	419,600	-4,681	0	0	n/a	n/a	n/a
York	201	10,963,680	0.0%	0	34,575	-47,959	0	0	n/a	n/a	n/a
<b>GTA CENTRAL</b>	<b>4,398</b>	<b>231,645,110</b>	<b>1.2%</b>	<b>6,192,446</b>	<b>5,091,390</b>	<b>12,101</b>	<b>1,625,256</b>	<b>0</b>	<b>\$7.63</b>	<b>\$3.67</b>	<b>\$173.10</b>
Bolton/Caledon	203	14,076,466	0.4%	2,534,809	125,467	420,863	1,871,611	405,816	\$7.03	\$3.47	\$179.47
Brampton	1,074	96,645,833	0.7%	4,129,006	2,121,792	1,739,525	1,741,210	813,299	\$7.46	\$3.67	\$224.69
Burlington	482	22,374,203	2.6%	460,347	1,128,751	233,440	103,195	0	\$7.36	\$3.70	\$103.88
Milton/Halton Hills	282	26,505,236	4.3%	2,665,606	119,393	2,367,767	324,706	555,658	\$7.61	\$2.58	\$262.71
Mississauga	3,202	175,210,054	1.7%	7,496,027	5,791,501	2,827,003	1,001,073	2,520,290	\$7.30	\$3.55	\$207.90
Oakville	460	23,326,497	3.5%	611,081	400,562	-403,653	16,623	98,549	\$7.30	\$2.89	\$223.53
<b>GTA WEST</b>	<b>5,703</b>	<b>358,138,289</b>	<b>1.7%</b>	<b>17,896,876</b>	<b>9,687,466</b>	<b>7,184,945</b>	<b>5,058,418</b>	<b>4,393,612</b>	<b>\$7.39</b>	<b>\$3.28</b>	<b>\$187.91</b>
Aurora	106	5,799,136	2.6%	98,868	78,356	-19,222	0	0	\$8.00	\$3.75	\$220.63
Markham	705	31,082,893	1.9%	706,970	931,461	-209,657	0	0	\$8.03	\$3.47	\$308.34
Newmarket	154	6,951,746	1.3%	36,000	149,351	-21,060	0	60,064	\$7.85	\$3.07	n/a
Richmond Hill	252	13,119,474	0.4%	324,834	295,736	38,895	0	0	\$7.86	\$4.05	n/a
Vaughan	1,608	93,615,266	1.1%	4,504,485	1,421,483	2,476,342	1,969,143	1,835,356	\$6.51	\$2.92	\$254.23
<b>GTA NORTH</b>	<b>2,825</b>	<b>150,568,515</b>	<b>1.3%</b>	<b>5,671,157</b>	<b>2,876,387</b>	<b>2,265,298</b>	<b>1,969,143</b>	<b>1,895,420</b>	<b>\$7.21</b>	<b>\$3.19</b>	<b>\$267.95</b>
Ajax	137	7,177,228	0.7%	106,589	229,973	58,836	330,000	0	\$10.24	\$6.00	\$177.95
Oshawa	115	17,649,748	1.3%	0	754,551	182,741	0	0	\$6.34	\$3.03	n/a
Pickering	133	8,902,863	2.5%	273,567	369,383	-75,923	565,500	0	\$6.19	\$2.77	n/a
Whitby	112	8,333,122	3.4%	407,792	706,659	-87,807	0	47,670	\$8.54	\$4.07	n/a
<b>GTA EAST</b>	<b>497</b>	<b>42,062,961</b>	<b>1.9%</b>	<b>787,948</b>	<b>2,060,566</b>	<b>77,847</b>	<b>895,500</b>	<b>47,670</b>	<b>\$7.21</b>	<b>\$3.41</b>	<b>\$177.95</b>
<b>SUBURBAN</b>	<b>9,025</b>	<b>550,769,765</b>	<b>1.6%</b>	<b>24,355,981</b>	<b>14,624,419</b>	<b>9,528,090</b>	<b>7,923,061</b>	<b>6,336,702</b>	<b>\$7.33</b>	<b>\$3.27</b>	<b>\$201.79</b>
<b>GTA OVERALL</b>	<b>13,423</b>	<b>782,414,875</b>	<b>1.5%</b>	<b>30,548,427</b>	<b>19,715,809</b>	<b>9,540,191</b>	<b>9,548,317</b>	<b>6,336,702</b>	<b>\$7.40</b>	<b>\$3.37</b>	<b>\$193.58</b>

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

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### Key Lease Transactions Q4 2018

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
12424 Dixie Road	850,000	UPS	New Lease	Caledon
2994 Peddie Road	514,363	Kimberly Clark	New Lease	Milton
2299 Hogan Drive	303,918	National Logistics Services	New Lease	Mississauga

### Key User Sale Transactions Q4 2018

PROPERTY	SF	SELLER / BUYER	PRICE / \$PSF	SUBMARKET
1080 Matheson Boulevard East	56,576	Exactor Holdings Limited / Vidne Holdings Inc.	\$8,475,000 / \$150	Mississauga
120 The East Mall	48,608	Finy Holdings Inc. / Second Harvest Food Support Committee	\$7,200,000 / \$148	Etobicoke
40 West Beaver Creek Road	45,206	The Cartwright Group Ltd. / Denis Office Supplies & Furniture (Les Placements Denis Latulippe Inc.)	\$9,281,006 / \$205	Richmond Hill
16 Upton Road	44,939	Goldman Holdings Ltd. / Canopy Growth Corporation	\$12,850,000 / \$286	Scarborough

### Key Properties Under Construction Q4 2018

PROPERTY	SF	DEVELOPER / LANDLORD	EXPECTED COMPLETION DATE	SUBMARKET
12424 Dixie Road	850,000	Prologis Caledon Canco Inc.	Q4 2020	Caledon
N/A Highway 407 (Seaton Lands)	565,500	Kubota Canada Ltd.	Q2 2020	Scarborough
1395 Tapscott Road, Bldg. 1	382,450	First Gulf Tapscott Limited; Sun Life Assurance	Q2 2019	Scarborough
0 Ringer Road	330,000	Gordon Food Services	Q4 2019	Ajax
8865 Highway 50	299,364	Condor (Boca East) Properties Inc.	Q2 2019	Vaughan
71 Orenda Road	201,945	IKO Industries Ltd.	Q2 2019	Brampton
8300 Highway 50	193,618	Zzen Group	Q4 2019	Vaughan
0 Deerhurst Drive	139,265	Condor Properties Ltd.	Q4 2019	Brampton
2239 Sheppard Avenue West	101,151	I.G. Investment Management, Ltd	Q1 2020	North York

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