

MARKETBEAT

Greater Toronto Area, ON

Industrial Q4 2016



GREATER TORONTO AREA

Economic Indicators

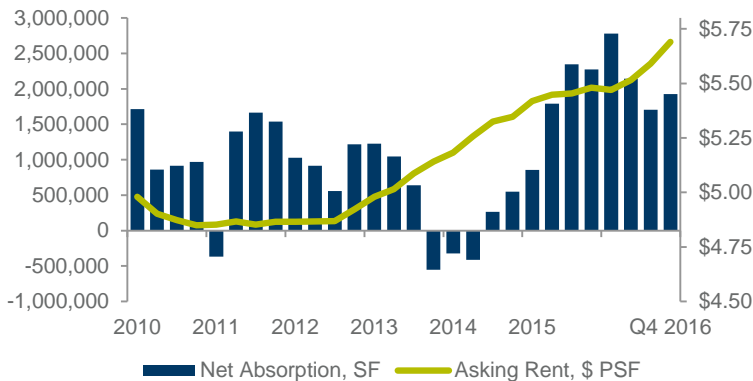
	Q4 15	Q4 16	12-Month Forecast
GTA Employment	3.2 mil	3.2 mil	▲
GTA Unemployment	7.0%	6.8%	▼
Canada Unemployment	7.1%	6.9%	▼

Source: Statistics Canada

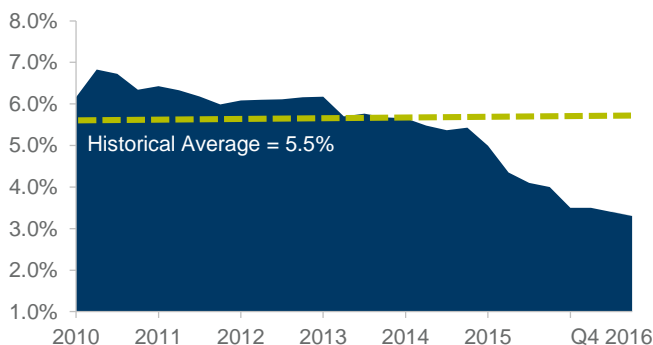
Market Indicators (Overall, All Product Types)

	Q4 15	Q4 16	12-Month Forecast
Overall Vacancy	4.0%	3.3%	▼
Net Absorption (sf) (YTD)	9,132,877	7,699,229	▲
Under Construction (sf)	6,034,615	6,716,113	▼
Overall Average Asking Rent	\$5.46	\$5.86	▲

Net Absorption/Overall Asking Rent 4Q TRAILING AVERAGE



Overall Vacancy



Economy

Canadian job growth ended 2016 on a high note, with 54,000 jobs created in December. Eight of ten provinces shared this growth, including Ontario where 9,100 jobs were created. While Canada's unemployment rate nudged downward so has the Toronto CMA unemployment rate now at 6.8%, down from 7.0% one year ago. Canada's trade balance posted a surplus in November 2016, increasing to CAD \$45.6 Billion. While modest, this was the first trade surplus since September. Export volumes were up 3.5% in 2016 (Statistics Canada). Ontario and Manitoba will lead real GDP growth in 2017, and are expected to achieve a moderate pace of 2.3% (RBC Economics).

Market Overview

Low interest rates and the expectation of a stronger U.S. economy will continue to support expansionary momentum across GTA industrial markets as evidenced by positive fourth quarter absorption of 1.6 million square feet (MSF). For lease vacancy has fallen to a mere 3.1% across GTA, a very tight landlord's market. It is critical for tenants to explore their options well in advance prior to their lease expiry. When we remove the impact of the Milton vacancy, where significant new big box development activity has occurred, the resulting vacancy rate for the overall GTA falls to 2.9%. Owner users continue to lead the charge to acquire product and red hot demand for such product has pushed up average asking prices on a per square foot (PSF) basis by 33% since Q1 2015. The Q4 average asking price for industrial product across all submarkets was \$127.31 PSF. Development activity remains active with a solid 6.7 MSF under construction.

Outlook

The market remains active from a large user perspective, with several large transactions occurring in Q4 2016. A key driver of this activity continues to be the consolidation of multiple premises to improve operations efficiencies. While expansionary momentum will continue, there is some uncertainty with respect to how changing U.S. economic policy under the leadership of President Donald Trump may impact Canadian exports and economic growth across GTA industrial markets over the longer run. There seems to be no appetite by the Bank of Canada to raise interest rates, though Canadian mortgage rates have edged upward in response to the increase in rates instituted by the U.S. Federal Reserve in late 2016.

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SUBMARKET	TOTAL BLDGS	INVENTORY (SF)	OVERALL VACANCY 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	157	9,411,375	0.8%	0	32,582	(54,576)	0	0	\$7.10	\$3.49	\$204.55
Etobicoke	1,198	73,112,971	3.5%	1,306,334	1,901,175	(19,890)	0	17,298	\$5.05	\$3.41	\$106.82
North York	1,641	75,181,289	2.3%	1,505,358	1,640,878	230,501	0	0	\$5.48	\$3.66	\$109.15
Scarborough	1,153	61,238,688	3.2%	1,591,157	1,468,181	373,853	23,063	323,714	\$5.38	\$3.53	\$163.86
Toronto	485	26,031,957	0.1%	8,000	93,130	16,000	0	0	n/a	n/a	\$110.18
York	121	5,208,742	0.0%	0	52,357	0	0	0	n/a	n/a	n/a
GTA CENTRAL	4,755	250,185,022	2.5%	4,410,849	5,188,303	545,888	23,063	341,012	\$5.29	\$3.52	\$124.02
Bolton/Caledon	193	13,213,258	8.7%	368,467	684,168	1,662,495	532,666	1,491,814	\$5.39	\$2.90	\$175.94
Brampton	1,072	95,686,412	2.1%	3,877,422	1,560,091	1,604,338	1,482,873	1,173,794	\$6.38	\$2.90	\$108.00
Burlington	483	22,340,459	4.5%	745,467	488,962	362,030	0	0	\$5.63	\$2.99	\$167.96
Milton/Halton Hills	275	25,082,601	12.3%	1,592,351	361,460	1,398,085	1,525,719	2,169,899	\$6.48	\$2.65	n/a
Mississauga	3,214	171,839,125	3.4%	8,070,538	3,942,377	1,554,858	2,361,628	289,602	\$6.12	\$3.09	\$129.80
Oakville	461	23,180,705	3.2%	680,718	1,134,026	72,260	0	0	\$6.35	\$2.92	\$157.38
GTA WEST	5,698	351,342,560	3.9%	15,334,963	8,171,084	6,504,043	5,902,886	5,125,109	\$6.17	\$2.93	\$134.53
Aurora	112	5,853,090	1.0%	204,325	25,125	205,923	93,737	48,000	\$4.57	\$2.54	n/a
Markham	739	33,101,614	3.1%	1,413,309	877,508	104,363	0	132,226	\$6.19	\$3.51	\$150.00
Newmarket	153	6,325,137	7.4%	153,706	606,166	(118,450)	0	0	\$5.48	\$3.03	\$178.03
Richmond Hill	246	12,674,117	3.0%	643,798	506,910	297,670	0	0	\$6.86	\$3.46	n/a
Vaughan	1,624	92,258,673	2.6%	3,233,834	2,159,744	(202,812)	696,427	631,872	\$5.87	\$3.19	n/a
GTA NORTH	2,874	150,212,631	2.9%	5,648,972	4,175,453	286,694	790,164	812,098	\$5.97	\$3.26	\$155.56
Ajax	145	7,424,643	1.2%	135,431	183,880	(447)	0	0	\$4.68	\$4.08	n/a
Oshawa	110	5,278,774	7.3%	382,135	53,363	372,628	0	0	\$4.75	\$2.04	\$74.29
Pickering	132	8,795,131	3.5%	72,187	95,460	40,691	0	0	\$4.79	\$3.35	n/a
Whitby	107	8,059,878	5.6%	179,212	211,964	(50,268)	0	0	\$5.08	\$3.47	\$65.69
GTA EAST	494	29,558,426	4.2%	768,965	544,667	362,604	0	0	\$4.86	\$3.00	\$66.84
SUBURBAN	9,066	531,113,617	3.6%	21,752,900	12,891,204	7,153,341	6,693,050	5,937,207	\$6.04	\$3.01	\$129.29
GTA OVERALL	13,821	781,298,639	3.3%	26,163,749	18,079,507	7,699,229	6,716,113	6,278,219	\$5.86	\$3.13	\$127.31

* 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 2016

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
6 Manchester Court	581,000	Newell Industries Canada	Renew 345K sf/ Expand 236K sf	Bolton
6700 Northwest Drive & 3075 Caravelle Drive	495,540	Mevotech LP	New Lease	Mississauga
8875 Torbram Road	439,330	TJX Companies Inc	New Lease	Brampton

Key Sales Transactions Q4 2016

PROPERTY	SF	SELLER / BUYER	PRICE / \$PSF	SUBMARKET
7510 Bren Road	201,104	Can-Industrial Properties Inc./Panattoni	\$17,200,000 / \$86	Mississauga
1590 South Gateway Road	195,322	Kingsett Capital Partners/Insurance Corporation of British Columbia	\$23,750,000 / \$122	Mississauga
5900 Finch Avenue East	166,751	C2C Industrial Properties (GTA) Ltd./Soneil International Limited	\$13,265,000 / \$80	Scarborough

Key Construction Completions Q4 2016

PROPERTY	SF	DEVELOPER / LANDLORD	COMPLETION DATE	SUBMARKET
7825 Winston Churchill Blvd.	209,853 expansion	Orlando Corporation	Q4 2016	Brampton
3075 Caravelle Drive	183,167	Orlando Corporation	Q4 2016	Mississauga
1261 Tapscott Road	165,256	Prologis Canada Inc	Q4 2016	Scarborough
1271 Tapscott Road	158,458	Prologis Canada Inc.	Q4 2016	Scarborough
220 Markland Street	79,660	Cachet Woodbine (CPL) Ltd	Q4 2016	Markham

Key Properties Under Construction Q4 2016

PROPERTY	SF	DEVELOPER / LANDLORD	EXPECTED COMPLETION DATE	SUBMARKET
2020 Logistics Drive	765,000	Panattoni Development Company	Q4 2017	Mississauga
233 Madill Boulevard	446,702	Orlando Corporation	Q3 2017	Mississauga
6 Cleve Court	369,730	Triovest Realty Advisors Inc.	Q1 2017	Halton Hills
307 Orenda Road	341,130	First Gulf Development Corp	Q3 2017	Brampton
7900 Airport Road Bldgs C&B	215,000 & 131,150 (BTS)	7900 Airport Road Developments Inc.	Q1 2017	Brampton
7855 Heritage Road	219,078	Orlando Corporation	Q3 2017	Brampton
6280 Millcreek Drive	203,800	Kuehne + Nagel Ltd.	Q3 2017	Mississauga

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