

Greater Toronto Area



Market Facts

2.5%

Availability rate in the Greater Toronto Area

\$7.04 psf

Average asking net rent in the Greater Toronto Area

19

Number of properties in the Greater Toronto Area with more than 250,000 sf available

4.9 msf

Industrial space under construction in the Greater Toronto Area

Market Overview

It was a case of “business as usual” in the Greater Toronto Area (GTA) industrial market through the first three months of 2018. Availability of industrial product registered at all-time lows – a direct result of the ongoing strong tenant demand, with new supply struggling to keep pace. With its well-established transportation and highway networks, global companies continue to view the region as a strategic location for their businesses. This was evident in the number of major leases finalized across the GTA’s various industrial submarkets during the first quarter of the year. The region experienced robust GDP growth of 3.7% in 2017 – a 17-year high, as reported by the Conference Board of Canada.

Landlords have capitalized on these trends as average asking net rental rates for the region have breached \$7.00 per square foot (psf) for the first time, finishing the quarter at \$7.04 psf. With limited supply and increasing land costs and development charges, rising rental rates are needed to justify new industrial development projects to alleviate demand. The resurgence of older industrial product through redevelopment and repositioning has also been a trend lately, in response to market conditions. Relief may be on the horizon on the supply side, with a number of major industrial business parks currently in the preliminary phases of development. However, the GTA industrial market will likely remain tight and very competitive in the foreseeable future.

GTA Market Monitor

The overall GTA availability rate dropped a further 10 bps from the end of 2017 to 2.5% at the end of the first quarter – down 10 basis points (bps) quarter-over-quarter, and 90 bps year-over-year. Availability in GTA North and GTA West increased during the first quarter, while the GTA Central and GTA East markets experienced a decrease. GTA East recorded the largest decline in availability, falling 170 bps from 3.2% at year-end 2017 to 1.5% during first-quarter 2018. GTA North and GTA West each experienced a 30-bps rise in availability during the quarter.

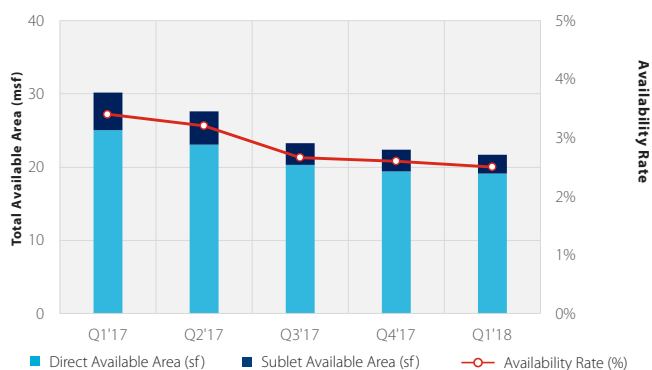
The momentum of large lease transactions experienced in 2017 continued into early 2018. The Toronto Transit Commission (TTC) inked a deal for 550,000 square feet (sf) at 2233 Sheppard Ave. W. in Toronto. This facility, on the site of the former Home Depot distribution centre, will serve as the TTC’s new parts distribution hub. It will be located within an 824,000-sf building that is currently under construction, with completion expected in 2019. On the investment front, although the sale of industrial buildings declined 8% quarter-over-quarter to \$780 million, first-quarter 2018 sales volume was \$33 million higher than the \$746 million recorded in first-quarter 2017.

The GTA’s average net asking rental rate climbed to \$7.04 psf, marking a historical high, in the current landlord’s market. The rise in asking rents has been influenced by recent deals achieving rates of more than \$7.00 psf across the GTA. Rents have been rising steadily over the past three to four years, and will likely continue to do so until there is a surplus of available space. The highest average net asking rent continued to be found in GTA North at \$8.12 psf, while GTA East continued to be the most economical market with an average net asking rent of \$5.54 psf.

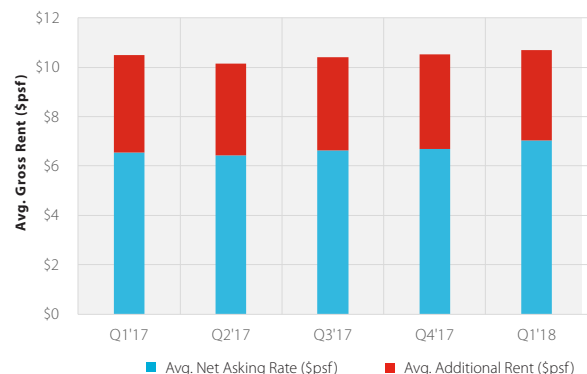
First-quarter completions totalled more than 1.4 million square feet (msf) in six buildings, with the bulk of completions located in the GTA West market. A further 25 buildings (totaling 4.9 msf) were under construction. An additional 31 buildings were in the preleasing pipeline, with the potential to add another 12 msf across the region if built.



Availability Trends



Occupancy Cost Trends



Market	Inventory (sf)	Direct Avail. Area (sf)	Sublet Avail. Area (sf)	Total Avail. Area (sf)	Avail. Rate (%)	Avg. Net Asking Rent (\$psf)	Avg. Addtl Rent (\$psf)	Avg. Asking Sale Price (\$psf)	Current Completions (sf)	Under Construction (sf)	Preleasing (sf)
GTA Central	259,662,602	4,128,289	431,855	4,560,144	1.8%	\$7.39	\$3.93	\$189	0	1,188,592	1,955,237
GTA East	48,052,571	648,666	62,627	711,293	1.5%	\$5.54	\$3.74	\$126	0	105,368	659,000
GTA North	182,616,407	3,526,296	806,398	4,332,694	2.4%	\$8.12	\$3.76	\$191	50,625	1,448,232	333,837
GTA West	382,770,120	10,793,040	1,340,789	12,133,829	3.2%	\$7.09	\$3.20	\$214	1,363,325	2,198,036	7,411,860
Greater Toronto	873,112,700	19,101,791	2,641,669	21,743,460	2.5%	\$7.04	\$3.66	\$197	1,413,950	4,940,228	12,159,934

GTA Central Market Monitor

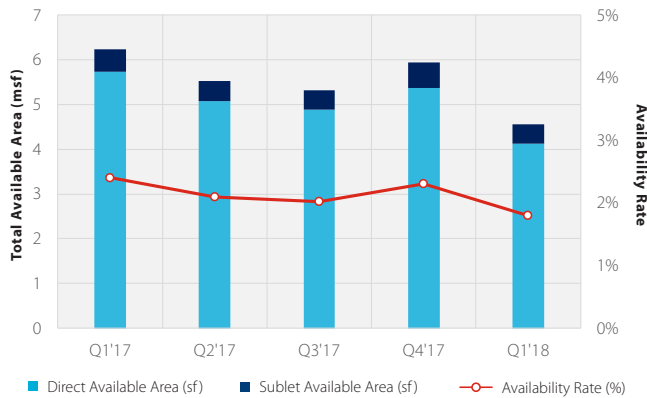
Available space in the Central market decreased by nearly 1.4 msf, pushing the overall availability rate down 50 bps quarter-over-quarter to 1.8%. The average asking rent of \$7.39 psf represented an increase of \$0.93 quarter-over-quarter and \$1.29 year-over-year, breaking the \$7.00-psf mark. The Scarborough market saw another busy quarter, with the availability rate dropping 70 bps to 1.6% and average asking rent climbing \$1.07 to \$7.39 psf. East York offers the most affordable overall rate, with an average asking gross rent of \$10.68 psf.

Notable lease transactions included the Toronto Transit Commission (TTC) inking a new 20-year deal for 550,000 sf on the site of the former Home Depot distribution centre at 2233 Sheppard Ave. W., owned by Investors Group. The TTC intends to consolidate its warehouses across the region at the location in first-quarter 2019. Also of interest, Marine Terminal 51 in the Port Lands will become a new hub for Cinespace's Toronto studio, relocating from Eastern Ave. The project will comprise 165,000 sf of studio and support space for the Toronto film industry directly on the waterfront.

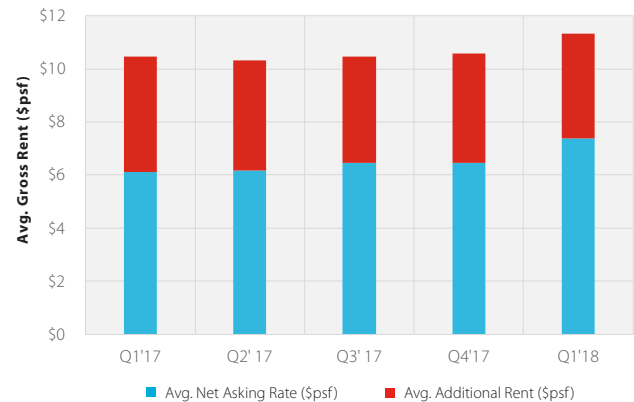
Preleasing square footage fell 1.1 msf in the Central market as construction commenced on 1.2 msf spread between four projects – all in different nodes. Notably, this includes two redevelopment projects: the aforementioned 823,500 sf at Investors Group's 2233 Sheppard Ave. W. in North York, and 295,100 sf at PIRET and Hopewell Developments' 75 Venture Ave. on the former DuPont site in Scarborough.



Availability Trends



Occupancy Cost Trends



Market	Inventory (sf)	Direct Avail. Area (sf)	Sublet Avail. Area (sf)	Total Avail. Area (sf)	Avail. Rate (%)	Avg. Net Asking Rent (\$psf)	Avg. Addtl Rent (\$psf)	Avg. Asking Sale Price (\$psf)	Current Completions (sf)	Under Construction (sf)	Preleasing (sf)
East York	9,261,854	73,236	0	73,236	0.8%	\$6.98	\$3.70	\$248	0	0	0
Etobicoke	75,455,582	2,043,083	140,890	2,183,973	2.9%	\$7.29	\$3.45	\$201	0	50,000	0
North York	69,490,374	962,714	6,825	969,539	1.4%	\$7.44	\$3.81	\$171	0	823,514	295,216
Scarborough	65,736,096	814,600	264,811	1,079,411	1.6%	\$7.39	\$4.36	\$158	0	295,078	1,660,021
Toronto	39,264,545	231,899	19,329	251,228	0.6%	\$10.86	\$6.12	\$365	0	20,000	0
GTA Central	259,662,602	4,128,289	431,855	4,560,144	1.8%	\$7.39	\$3.93	\$189	0	1,188,592	1,955,237

* Total figures for the GTA Central include additional submarkets not listed above (i.e. York).

GTA East Market Monitor

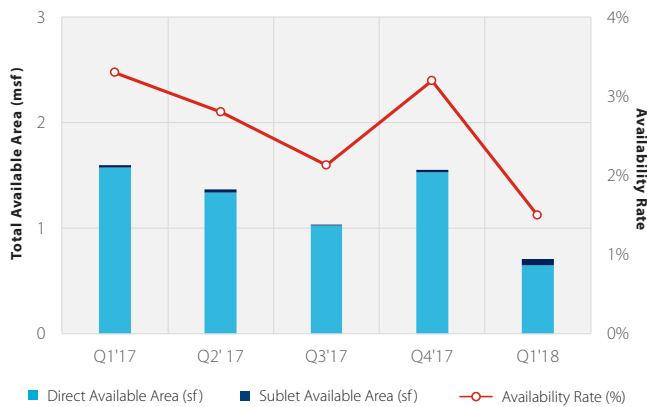
Overall, availability in the East market declined 170 bps to 1.5% during the first quarter – bringing back low availability rates similar to those seen throughout the first three quarters of 2017. Ajax held steady at a tight 1% availability rate while Oshawa, Pickering and Whitby saw declines of 180 bps or more. After reaching a peak of \$5.80 psf in the fourth quarter of 2017, the average asking net rent in the GTA East fell \$0.26 to \$5.54 psf in the first quarter of 2018.

One of the largest deals of the quarter saw SNC Lavalin sign a new 82,500-sf deal for 8.5 years at LaSalle Investments’ 1635 Tricont Ave. in Whitby. On the sale front, Lotus Capital purchased 1001 Thornton Rd. S. in Oshawa from OPTrust Realty for \$23.4 million, and Nxgencon acquired 1845 Clements Rd. in Pickering from Morguard for \$10.8 million at a reported 6.3% cap rate.

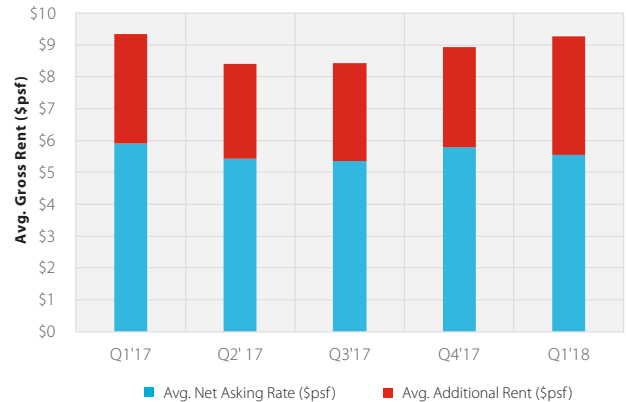
Construction continued on the new speculative expansion (105,400 sf) at KingSett’s existing 113,400-sf facility at 185 William Smith Dr. in Whitby. The facility is partially preleased to Keystone Automotive, while the remaining space continues to be marketed for lease. Completion of the expansion is expected in the second quarter. Four buildings remain in the preleasing stage in the East market, which would add upwards of 659,000 sf to the inventory if built.



Availability Trends



Occupancy Cost Trends



Market	Inventory (sf)	Direct Avail. Area (sf)	Sublet Avail. Area (sf)	Total Avail. Area (sf)	Avail. Rate (%)	Avg. Net Asking Rent (\$psf)	Avg. Addtl Rent (\$psf)	Avg. Asking Sale Price (\$psf)	Current Completions (sf)	Under Construction (sf)	Preleasing (sf)
Ajax	7,279,227	75,400	0	75,400	1.0%	\$5.00	\$3.41	\$112	0	0	500,000
Oshawa	13,600,684	83,435	0	83,435	0.6%	\$5.20	\$3.88	\$149	0	0	110,000
Pickering	10,998,474	141,992	0	141,992	1.3%	\$5.71	\$3.72	-	0	0	0
Whitby	10,273,878	322,357	62,627	384,984	3.7%	\$6.24	\$3.97	\$120	0	105,368	49,000
GTA East	48,052,571	648,666	62,627	711,293	1.5%	\$5.54	\$3.74	\$126	0	105,368	659,000

* Total figures for the GTA East include additional submarkets not listed above (i.e. Brock, Clarington, Scugog and Uxbridge).

GTA North Market Monitor

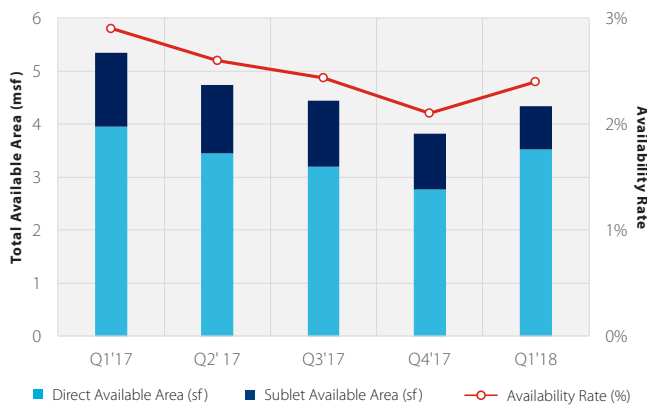
The availability rate in the North market increased 30 bps quarter-over-quarter but declined 50 bps year-over-year, reaching 2.4% in first-quarter 2018. Sublease listings made up 19% of the total available area in the North market, down from 28% in the fourth quarter of 2017. Comprising more than 806,000 sf, the vast majority of the sublet space remains in the Vaughan market. The North market's average asking net rent increased \$0.83 quarter-over-quarter to \$8.12 psf, breaking the \$8.00-psf mark for the first time after having broken the \$7.00-psf mark in fourth-quarter 2017. The rate also remains the highest among the GTA's four industrial districts.

Noteworthy lease deals during the first quarter included Celestica Inc. signing a new deal at 213 Harry Walker Pkwy. S. in Newmarket for 220,000 sf, and Anderson Merchandisers renewing its lease at 60 Leek Cres. in Richmond Hill for 94,400 sf. Notable sales included Mantella Corporation purchasing 210 Great Gulf Dr. in Vaughan from Sun Life for \$18 million, representing \$140 psf.

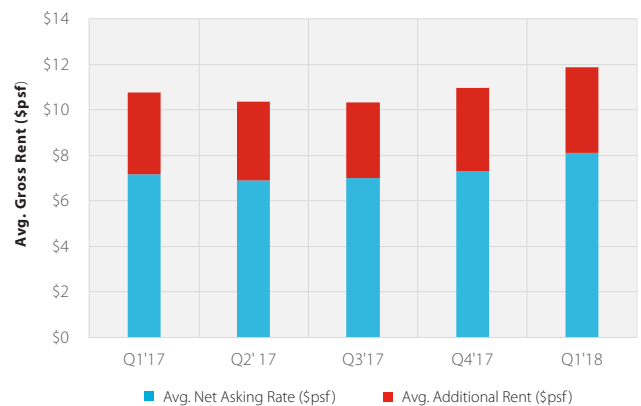
No buildings were completed during the quarter; however, construction commenced on an additional 927,500 sf across three new projects in Vaughan, bringing the total area under development to more than 1.4 msf. Two buildings remain in preleasing mode, representing 333,800 sf – including Glen Corporation's last piece of land on Gibraltar Rd. in Vaughan.



Availability Trends



Occupancy Cost Trends



Market	Inventory (sf)	Direct Avail. Area (sf)	Sublet Avail. Area (sf)	Total Avail. Area (sf)	Avail. Rate (%)	Avg. Net Asking Rent (\$psf)	Avg. Addtl Rent (\$psf)	Avg. Asking Sale Price (\$psf)	Current Completions (sf)	Under Construction (sf)	Preleasing (sf)
Aurora	6,189,418	163,612	20,000	183,612	3.0%	\$7.58	\$3.51	-	0	0	0
Markham	40,308,713	668,543	9,617	678,160	1.7%	\$8.38	\$3.90	\$199	0	0	0
Newmarket	9,068,142	60,330	100,000	160,330	1.8%	\$8.17	\$3.58	-	23,000	0	0
Richmond Hill	14,020,411	164,790	43,751	208,541	1.5%	\$8.58	\$3.90	-	0	0	80,000
Vaughan	107,354,272	2,466,660	633,030	3,099,690	2.9%	\$7.92	\$3.91	\$184	0	1,448,232	253,837
GTA North	182,616,407	3,526,296	806,398	4,332,694	2.4%	\$8.12	\$3.76	\$191	50,625	1,448,232	333,837

* Total figures for the GTA North include additional submarkets not listed above (i.e. East Gwillimbury, Georgina, King and Whitchurch-Stouffville).

GTA West Market Monitor

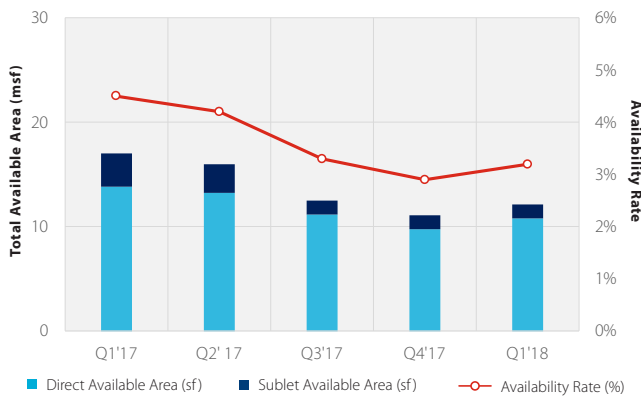
The West market experienced a 30-bps rise in availability to 3.2% during the first quarter, breaking the declining availability trend experienced for the previous five quarters. Much of the rise in availability can be attributed to new building completions in first-quarter 2018, which brought more than 460,000 sf of available space to market. The majority of options in the West are below 100,000 sf, and this segment of the market is currently the most active; thus, the newly available space is expected to be taken up within the next few quarters, reviving the West market's declining availability trend. Of significance, Nestlé Canada renewed its lease for 544,100 sf in Oxford Properties' building at 9050 Airport Rd. in Brampton, and SCI, a supply chain and logistics company, leased the entire 446,200-sf speculative facility being built by Orlando Corporation at 233 Madill Blvd. in Mississauga. Meanwhile, the top investment transaction included KingSett Capital re-acquiring American Business Park in Mississauga from Cominar REIT for \$91 million.

Average net asking rents increased quarter-over-quarter, to \$7.09 psf in the first quarter. The highest average net asking rent was found in Oakville at \$7.56 psf. Given its 15% availability rate, Halton Hills is the most economical submarket with an average net asking rent of \$6.48 psf.

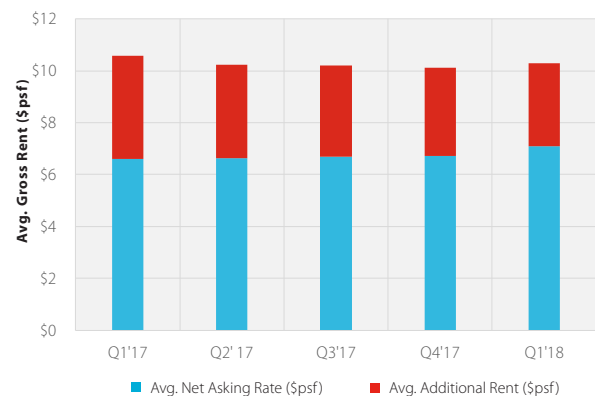
Four buildings were completed during the quarter, ranging from 85,000 sf up to 770,000 sf. Of the two largest buildings, 2020 Logistics Dr. in Mississauga (770,000 sf) is fully tenanted by Wayfair LLC, and 307 Orenda Rd. (341,100 sf) is conditionally leased. The two other buildings are located at 8300 & 8400 Parkhill Dr. in Milton (85,781 sf and 166,414 sf, respectively). 8300 Parkhill Dr. has been 35% preleased by Lynden Canada and 8400 Parkhill Dr. has been 60% preleased by Power Source Canada. A further 14 buildings totalling 2.2 msf are under construction, with an additional 20 buildings in the preleasing pipeline, amounting to 7.4 msf of future new supply.



Availability Trends



Occupancy Cost Trends

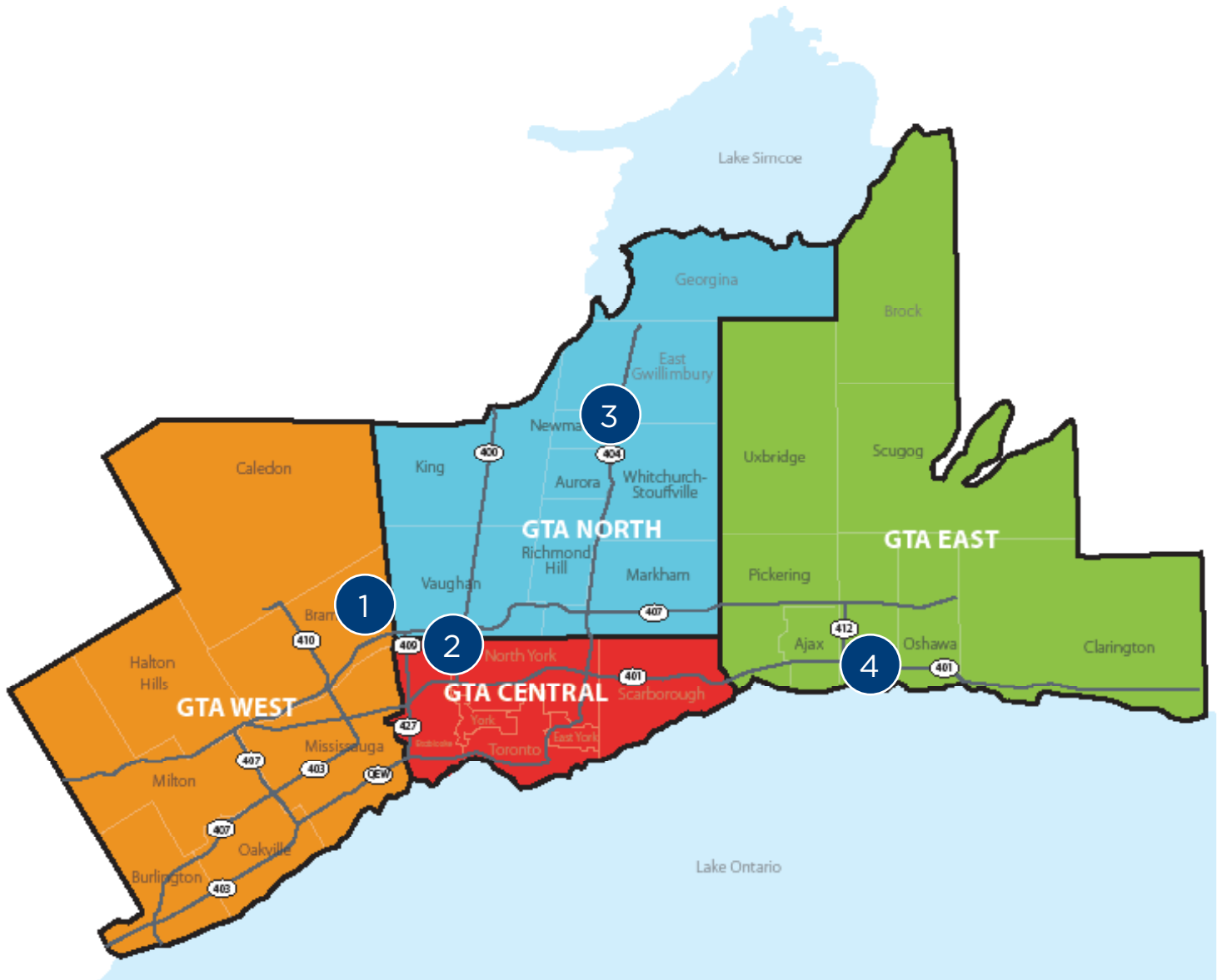


Market	Inventory (sf)	Direct Avail. Area (sf)	Sublet Avail. Area (sf)	Total Avail. Area (sf)	Avail. Rate (%)	Avg. Net Asking Rent (\$psf)	Avg. Addtl Rent (\$psf)	Avg. Asking Sale Price (\$psf)	Current Completions (sf)	Under Construction (sf)	Preleasing (sf)
Brampton	95,967,351	1,881,358	94,561	1,975,919	2.1%	\$7.06	\$3.30	\$247	341,130	368,710	1,716,975
Burlington	26,931,328	461,712	3,606	465,318	1.7%	\$7.43	\$3.29	\$168	0	0	0
Caledon	14,084,053	557,554	0	557,554	4.0%	\$6.96	\$3.04	\$92	0	221,103	3,482,244
Halton Hills	8,323,810	1,251,755	0	1,251,755	15.0%	\$6.48	\$2.59	-	0	45,000	0
Milton	21,600,229	1,743,766	69,000	1,812,766	8.4%	\$7.24	\$3.15	-	252,195	0	869,587
Mississauga	187,128,435	3,997,096	1,155,840	5,152,936	2.8%	\$6.92	\$3.65	\$228	770,000	1,464,674	1,047,389
Oakville	28,734,914	899,799	17,782	917,581	3.2%	\$7.56	\$3.39	\$193	0	98,549	295,665
GTA West	382,770,120	10,793,040	1,340,789	12,133,829	3.2%	\$7.09	\$3.20	\$214	1,363,325	2,198,036	7,411,860

Summary of Tenant Options

		Available Space					
		No. of Bldgs. with Avail. Space	More than 250,000 sf	249,999 - 100,000 sf	99,999 - 50,000 sf	49,999 - 20,000 sf	Less than 20,000 sf
GTA Central	East York	4	0	0	0	1	3
	Etobicoke	61	2	2	7	14	36
	North York	54	1	2	2	9	40
	Scarborough	63	1	2	4	10	46
	Toronto	23	0	0	0	4	19
	Market Total*	207	4	6	13	38	146
GTA East	Ajax	7	0	0	0	2	5
	Oshawa	5	0	0	0	2	3
	Pickering	9	0	0	1	2	6
	Whitby	10	0	1	1	4	4
	Market Total*	34	0	1	2	10	21
GTA North	Aurora	6	0	0	2	2	2
	Markham	39	0	1	3	3	32
	Newmarket	8	0	1	0	1	6
	Richmond Hill	16	0	0	0	3	13
	Vaughan	78	4	6	2	12	54
	Market Total*	148	4	8	7	21	108
GTA West	Brampton	43	2	3	9	9	20
	Burlington	12	0	1	3	3	5
	Caledon	10	1	1	0	2	6
	Halton Hills	8	2	0	0	2	4
	Milton	16	2	3	4	2	5
	Mississauga	189	2	7	22	47	111
	Oakville	29	2	0	3	2	22
	Market Total	307	11	15	41	67	173
GTA	Overall Total	697	19	30	63	136	449

* Total figures for the GTA Central, GTA East and GTA North include additional submarkets not listed above.



Significant Lease Transactions by Market

#	Address	Market	Tenant	Size	Lease Type
1	9050 Airport Road	Brampton	Nestlé Canada	544,100 sf	Renewal
2	2233 Sheppard Avenue West	Toronto	Toronto Transit Commission	550,000 sf	New
3	213 Harry Walker Parkway South	Newmarket	Celestica Inc.	220,000 sf	New
4	1635 Tricont Avenue	Whitby	SNC Lavalin	82,500 sf	New



\$780M

Total industrial investment volume for transactions greater than \$1M during the first quarter

1880 Matheson Boulevard East in Mississauga

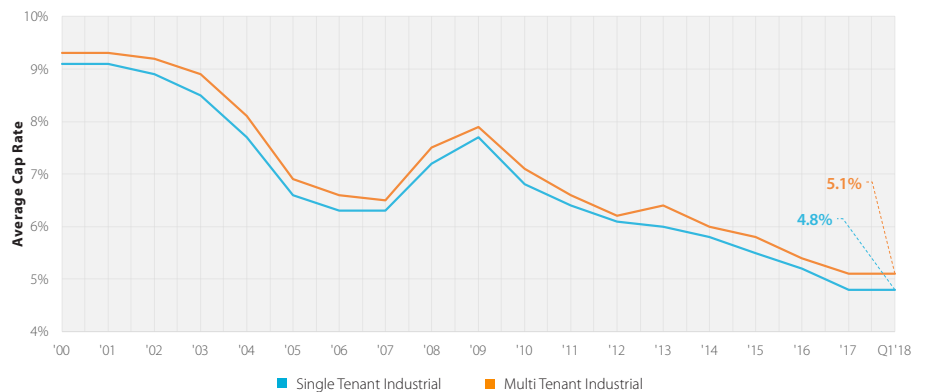
GTA Industrial Investment Market Highlights

Buoyed by solid leasing fundamentals and a nationwide record-low first-quarter 2018 vacancy rate of just 1.7%, investors are looking to boost their industrial allocations. Coming off a record-setting \$3.5 billion in sales last year, investment for industrial product fell a modest 8% quarter-over-quarter to \$780 million (18% of the GTA total) in the first quarter of 2018, but was up marginally year-over-year. The top industrial transaction during the quarter came in March as KingSett Capital reacquired American Business Park (33 acres, 553,000 sf, 13 properties) in Mississauga from Cominar REIT for almost \$91 million after having sold the portfolio for \$63 million in May 2014. This helped the Region of Peel to regain its position as the most active in the GTA, with \$368 million in sales (47% of overall volume) in the opening quarter of the year.

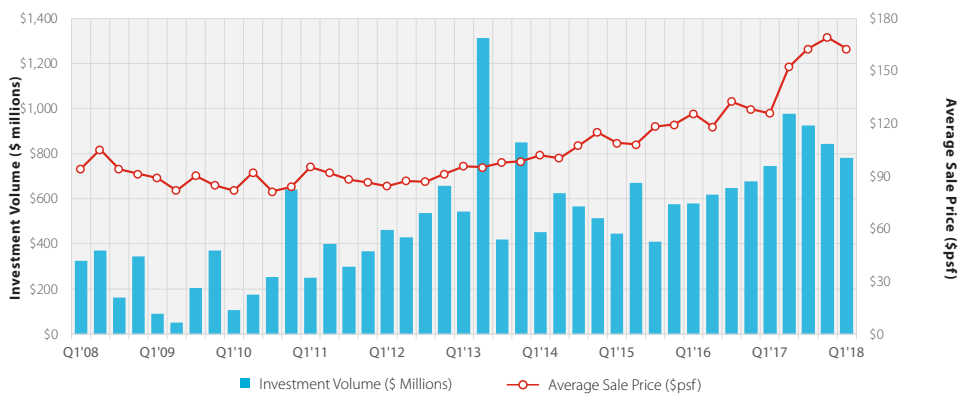
Ranking second to Peel, the Region of York saw 22% of the volume (\$172 million) including the sale of a portfolio by Granite REIT to Sun Commercial for \$63 million in January, comprising 576,500 sf in seven properties in Newmarket. The City of Toronto followed close behind with 21% of the overall volume (\$164 million) which included the sale of 1377 The Queensway in Etobicoke for \$14 million by H&R REIT to KingSett Capital.

Capitalization rates for single- and multi-tenant properties held steady for the last three consecutive quarters at 4.8% and 5.1%, and compressed by 20 and 10 bps year-over-year, respectively.

Capitalization Rates



Investment Volume and Sale Price (Transactions over \$1M)



Investment volume : all market deals \$1M and up, excluding between partners and non-arms deals.
Average Sales Price: all market deals only, includes deals with cap. rates. - 10,000 square feet and up, \$1M and up.

Significant Sale Transactions

SIGNIFICANT INDUSTRIAL TRANSACTION BY SALE PRICE FIRST QUARTER 2018				
Property	Total Price	Price psf	Purchaser	Vendor
American Business Park & 6325 Northam Drive	\$90,600,000	\$164	KingSett Capital	Cominar REIT
Granite – Sun Commercial Portfolio	\$63,000,000	\$109	Sun Commercial Real Estate	Granite REIT
1880 Matheson Boulevard East	\$62,650,000	\$161	Cosa-Nova Fashions Ltd.	H&R REIT / Crestpoint Real Estate Investments
1000 Steeles Avenue East	\$24,875,000	\$125	Hargobind Tower Holdings Ltd.	Bacardi Canada
1001 Thornton Road South	\$23,425,000	\$63	Lotus Capital	OPTTrust Realty



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