MARKETBEAT

CUSHMAN & WAKEFIELD®
Global Real Estate Solutions℠

GREATER TORONTO INDUSTRIAL REPORT

2Q10

A CUSHMAN & WAKEFIELD RESEARCH PUBLICATION

ECONOMY

Real gross domestic product increased by 0.1% in May after being unchanged in April. Goods-producing industries rose 0.6%, led by oil and gas extraction. Construction and utilities fell back while manufacturing activity edged up. Canadian industries operated at 74.2% of their production capacity in the first quarter of 2010, up from 71.3% in the fourth quarter of 2009. This was the third consecutive quarterly increase. The strength recorded by the overall industries was mainly driven by the manufacturing industry, where the utilization rate rose from 70.7% to 75.0%. Growth of capacity use in manufacturing was widespread, with 20 of the 21 major manufacturing industries advancing. Capacity use in total manufacturing increased by 4.3 percentage points in the first quarter of 2010 to 75.0%, following gains of 3.0 and 2.2 percentage points in the fourth and third quarters of 2009, respectively, according to Statistics Canada.

OVERVIEW

The vacancy rate in the Greater Toronto Area (GTA) industrial market for the second quarter of 2010 increased to 6.8% from the previous quarter's 6.2%. This represented an overall increase of 5,659,897 square feet (sf) of available space from the previous quarter, despite large blocks of space being leased up. Bolton, accounted for the highest decrease in available space, shrinking by 1,124,928 sf. At the same time however, major increases in available space for sale and lease occurred in most other markets namely; Vaughan, North York, Mississauga and Etobicoke. Vaughan experienced the highest increase in available space, growing by 1.9 million sf over the previous quarter.

The most activity in the leasing market occurred in Bolton, which was responsible for 22.1% of the market. This was followed by Mississauga, with 21.0%, and Brampton, with a 19.6% share of the leasing market activity. The overall weighted average asking rental rate decreased slightly to $4.83 from the previous quarter's $4.87 per square foot (psf) net. The highest average asking lease rate occurred in the Old City of Toronto at $6.00 psf, followed by Markham at $5.83 psf. The lowest average asking lease rate of $3.57 psf net occurred in Pickering, followed by Scarborough at $4.21 psf.

Major lease transactions during the second quarter included 86 Pillsworth Road in Bolton, with 627,791 sf leasing for $4.70 psf net, and 7381 Bramalea Road in Mississauga, leased for $4.15~$5.00 psf net for a total of 331,164 sf. Sublease transactions accounted for less than 2% of all lease transactions that occurred during the second quarter of 2010.

The sale market activity was led by Etobicoke during the second quarter, capturing an 18.7% market share, followed by Scarborough with 16.3%. The overall weighted average asking sale price per square foot in the GTA rebounded to an even $76.00 psf from the previous quarter's $74.81 psf.

Major sale transactions for the second quarter included 330 Progress Avenue in Scarborough, where a 287,752 sf building sold for $21.5 million, and 1 Spare Drive in Brampton, where 250,485 sf sold for $13.1 million.

OUTLOOK

With prices & rates stabilizing and the manufacturing sector beginning to strengthen, the outlook for the balance of this year remains positive. We can expect to see steady increases in market activity for most regions.

BEAT ON THE STREET

"Despite large blocks of space being absorbed in the second quarter, numerous smaller spaces came to market simultaneously, partly due to consolidations and flock to quality. With prices & rates stabilizing and the manufacturing sector beginning to strengthen, the outlook for the balance of this year remains positive."

- Mark Stainer, Senior Managing Director
Toronto Industrial

ECONOMIC INDICATORS

	2009	2010F	2011F
GDP Growth	-3.4%	3.6%	2.5%
CPI Growth	0.3%	2.1%	2.1%
Unemployment	9.2%	8.0%	7.2%
Employment Growth	-2.4%	1.7%	1.5%

Source: TD Bank Financial

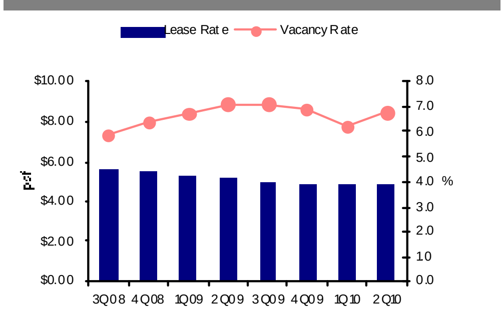
MARKET FORECAST

SALE PRICE – Overall, asking sale prices are holding firm throughout the GTA, particularly in the GTA's central and western regions.

LEASE RATE – Despite further downward adjustment in the overall asking lease rate there are signs of stabilization, especially in the GTA's central and eastern regions.

VACANCY RATE – The second quarter witnessed large blocks of space being leased and sold. However, this was overshadowed by numerous spaces coming to market resulting in negative absorption, particularly in the central region.

LEASE RATES VS. VACANCY



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MARKET/SUBMARKET STATISTICS

Market/ Submarket	Inventory	No.of Bldgs.	Overall Vacancy Rate	YTD Leasing Activity	YTD Construction Completions	YTD Overall Absorption	Direct Weighted Average Sale Price*	Direct Weighted Average Rental Rate*	Direct Weighted Average TMI**
Bolton/Caledon	13,383,316	215	5.1%	1,891,830	13,500	1,138,428	-	$4.47	$2.79
Brampton	99,153,565	1,143	7.3%	1,627,608	0	(234,079)	$76.51	$4.64	$2.85
Burlington	24,482,199	491	11.1%	232,991	0	161,689	$67.39	$5.25	$3.03
Milton / Halton Hills	23,378,119	279	10.2%	294,553	403,397	466,099	$92.26	$5.30	$2.52
Mississauga	180,049,732	3,305	7.0%	3,253,990	114,000	737,327	$86.56	$5.08	$3.19
Oakville	28,459,659	522	3.9%	205,205	47,855	552,113	$61.86	$5.34	$2.97
WEST	368,906,590	5,955	7.3%	7,506,177	578,752	2,821,577	$80.87	$4.99	$2.99
East York	9,730,250	166	2.1%	0	0	(11,192)	$65.76	$4.31	$2.84
Etobicoke	85,688,090	1,391	7.1%	426,989	0	(209,551)	$76.38	$4.31	$3.17
North York	87,615,422	1,932	5.4%	513,738	0	(83,303)	$76.13	$4.45	$3.65
Scarborough	65,313,349	1,292	6.5%	653,716	0	113,274	$74.64	$4.21	$3.81
Toronto	35,537,339	632	1.7%	20,000	0	144,437	$84.15	$6.00	$3.32
York	6,741,447	148	1.9%	0	0	(9,001)	$81.36	$4.68	$2.50
CENTRAL	290,625,897	5,561	5.5%	1,614,443	0	(55,336)	$75.86	$4.38	$3.55
Aurora	6,427,252	125	9.7%	27,153	0	57,318	$108.90	$4.69	$3.07
Markham	35,594,338	797	5.9%	524,566	0	769,553	$93.23	$5.83	$3.44
Newmarket	6,865,032	179	2.4%	114,154	0	184,910	$74.72	$5.78	$3.12
Richmond Hill	13,551,683	263	7.4%	309,479	0	(334,567)	$52.70	$5.33	$3.40
Vaughan	90,241,990	1,678	7.6%	917,442	0	(1,243,783)	$74.93	$5.13	$3.07
NORTH	152,680,295	3,042	7.0%	1,892,794	0	(566,569)	$76.53	$5.25	$3.19
Ajax	8,784,701	193	6.7%	138,658	100,000	(212,442)	$88.16	$4.65	$2.83
Oshawa	4,076,718	102	20.8%	37,626	0	(637,249)	$31.93	$4.66	$1.70
Pickering	8,393,303	144	14.0%	34,291	0	(473,831)	$69.16	$3.57	$3.11
Whitby	8,842,462	121	15.8%	29,364	0	(269,066)	$77.64	$4.76	$2.94
EAST	30,097,184	560	13.3%	239,939	100,000	(1,592,588)	$57.41	$4.35	$2.94
TOTAL	**842,309,966**	**15,118**	**6.8%**	**11,253,353**	**678,752**	**607,084**	**$76.00**	**$4.83**	**$3.22**

*Rental rates reflect $psf/year

** Taxes, Maintenance & Insurance

Results based on buildings 10,000 sf or greater.

MARKET HIGHLIGHTS

SIGNIFICANT 2Q10 LEASE TRANSACTIONS

BUILDING	SUBMARKET	SQ FT	ASKING RATE	DEAL RATE	TMI	TERM [MTHS]
86 Pillsworth Road	Bolton	627,791	$4.95	$4.70	$2.08	30
7381 Bramalea Road	Mississauga	331,164	$4.95	$4.15~$5.00	$2.25	120
8039 Fifth Line	Halton Hills	250,000	$5.65	$4.00~$5.50	$2.70	120

SIGNIFICANT 2Q10 SALE TRANSACTIONS

BUILDING	SUBMARKET	SQ FT	ASKING PRICE	PSF	DEAL PRICE	PSF
330 Progress Avenue	Scarborough	287,752	$26,900,000	$93.48	$21,500,000	$74.72
1 Spar Drive	Brampton	250,485	$29,600,000	$118.17	$13,086,300	$52.24
1995 Markham Road	Scarborough	228,933	$13,400,000	$58.53	$12,475,000	$54.49

SIGNIFICANT 2Q10 CONSTRUCTION COMPLETIONS

BUILDING	SUBMARKET	MAJOR TENANT / DEVELOPER	SQ FT	COMPLETION DATE
8690 Escarpment Way	Milton	HOOPP Realty Inc	403,397	Q2 2010
2477 Stanfield Road	Mississauga	Hopewell Development Corp	114,000	Q2 2010

SIGNIFICANT PROJECTS UNDER CONSTRUCTION

BUILDING	SUBMARKET	MAJOR TENANT / DEVELOPER	SQ FT	COMPLETION DATE
2795 Brighton Road (Foundation Only)	Oakville	Solmar Development Corp	47,855	Project On Hold

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