

MARKETBEAT

GREATER TORONTO INDUSTRIAL REPORT

A CUSHMAN & WAKEFIELD RESEARCH PUBLICATION

2Q11

ECONOMY

The value of commercial building permits in Canada increased 81.0% to \$1.9 billion, the highest level since May 2008. This increase followed two consecutive monthly declines, and was the result of higher construction intentions among many types of buildings in many provinces, including retail outlets, office buildings, laboratories, hotels and restaurants. The industrial component increased 22.5% to \$343 million, following two consecutive monthly declines. Alberta and Ontario registered the largest gains with higher construction intentions in manufacturing plants.

Capacity use in manufacturing gained speed during the first quarter of 2011, rising 2.8 percentage points to 79.7%. This increase was the fastest in the current unbroken string of gains that began in the third quarter of 2009. Capacity use rose in 18 of the 21 major manufacturing industries. Strong demand for motor vehicles and motor vehicle parts helped the transportation equipment industry increase its capacity use by 3.7 percentage points to 83.8% in the first quarter, the highest rate since the third quarter of 2007, according to Statistics Canada.

OVERVIEW

The vacancy rate in the Greater Toronto Area (GTA) industrial market for the second quarter of 2011 edged down slightly to 6.3% from the previous quarter's 6.4%. Richmond Hill accounted for the highest absorption, at 458,497 square feet (sf), followed by Mississauga, where 434,519 sf of absorption occurred. Oakville on the other hand, experienced the most negative absorption, with 463,947 sf this quarter, followed by North York, with negative 438,148 sf.

The most activity in the leasing market occurred in Mississauga, which was responsible for a significant 45.5% of the market. This was followed by Vaughan with 11.2% and Brampton with a 10.1% share of the leasing market activity. The overall weighted average asking rental rate remained relatively unchanged at \$4.89 per square foot (psf) net. The highest average asking net rental rate occurred in the Old City of Toronto at \$6.52 psf, followed by Markham at \$6.11 psf. The lowest average asking lease rate of \$3.66 psf net occurred in Pickering, followed by Old City of York at \$4.21 psf.

Major lease transactions during the second quarter included 501,923 sf leasing at 6363 for \$4.65-\$5.25 psf net, 245,663 sf at 6170 Belgrave Road leasing for \$6.05-\$6.62 psf net (both are in Mississauga). Sublease transactions accounted for 6.4% of all lease transactions that occurred during the second quarter of 2011, compared to 4.8% during the previous quarter.

The sale market activity during the second quarter was led by Etobicoke, which captured an impressive 31.8% market share of the sold market (based on square footage), followed by Mississauga with a 19.2% market share. The overall weighted average asking sale price per square foot in the GTA increased to \$78.76 psf from the previous quarter's \$76.56 psf.

Major sale transactions for the second quarter included 2200 Islington Avenue in Etobicoke, where 933,644 sf sold for \$18.4 million (\$19.68 psf), and 2600 North Park Drive in Brampton, where a 324,350-sf building sold for \$29.2 million (\$90.00 psf).

OUTLOOK

Overall absorption continues to be positive; however the leasing market remains flat, as sales activity continues to outperform this market. As such, sale prices are edging upwards in most markets, a trend likely to continue into the next quarter.

BEAT ON THE STREET

"Sale transactions of any size is the name of the game in this market. However, the biggest challenge still is (and will continue to be) the ever-shrinking supply of suitable product. On the leasing side, much of the demand for big box space has been fuelled by the retail sector. In particular, US retailers setting up shop and distribution networks on this side of the border with the emphasis on the GTA."


- Mark Stainer, Senior Managing Director
Toronto Industrial


ECONOMIC INDICATORS


	2009	2010	2011F
GDP Growth	-3.6%	3.4%	2.9%
CPI Growth	0.4%	2.9%	3.1%
Unemployment	9.0%	8.6%	8.2%
Employment Growth	-2.4%	1.6%	1.8%

Source: TD Bank Financial

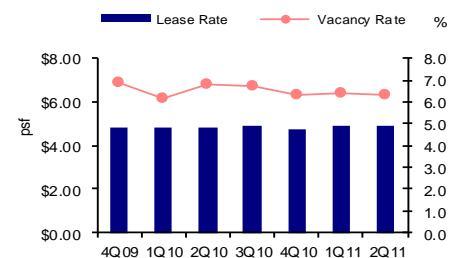
MARKET FORECAST

SALE PRICE – With the sale market outperforming the leasing market, sale prices are edging upwards in most markets, a trend likely to continue into the next quarter. 

LEASE RATE – The overall average asking lease rate continues on a flat trajectory and will likely remain under the \$5.00 psf mark for the rest of 2011. 

VACANCY RATE – Overall absorption continues to be positive, as the vacancy rate edges closer to the 6% mark, as expected. 

LEASE RATES VS. VACANCY



MARKET/SUBMARKET STATISTICS

Market/ Submarket	Inventory	No. of Bldgs.	Overall Vacancy Rate	YTD Leasing Activity	YTD Construction Completions	YTD Overall Absorption	Weighted Average Sale Price*	Weighted Average Rental Rate*	Weighted Average TMI**
Bolton / Caledon	12,845,001	216	10.4%	0	15,570	(299,068)	\$105.35	\$4.71	\$2.59
Brampton	96,608,670	1,122	7.1%	1,169,645	0	1,057,945	\$81.59	\$4.74	\$2.93
Burlington	22,968,945	489	8.9%	196,093	0	467,250	\$65.06	\$4.60	\$2.92
Milton / Halton Hills	22,194,323	274	8.4%	101,971	0	155,626	\$96.93	\$5.02	\$2.57
Mississauga	180,043,467	3,325	6.7%	3,226,877	0	381,893	\$80.01	\$5.04	\$3.22
Oakville	28,164,545	533	6.6%	160,703	0	(714,094)	\$84.43	\$5.87	\$2.98
WEST	362,824,951	5,959	7.2%	4,855,289	15,570	1,049,552	\$81.66	\$4.98	\$3.01
East York	10,043,300	169	0.8%	175,000	0	181,500	\$52.96	\$5.07	\$2.60
Etobicoke	85,758,637	1,392	7.2%	425,399	0	295,812	\$77.86	\$4.42	\$3.25
North York	85,609,556	1,853	4.4%	657,297	0	(511,032)	\$76.18	\$4.53	\$3.83
Scarborough	65,527,203	1,301	5.7%	709,798	0	676,444	\$72.31	\$4.28	\$3.95
Toronto	35,122,175	629	1.2%	12,150	0	(4,227)	\$126.54	\$6.52	\$2.95
York	6,915,766	148	1.4%	0	0	266,155	\$75.87	\$4.21	\$3.33
CENTRAL	288,976,637	5,492	4.9%	1,979,644	0	904,652	\$76.49	\$4.46	\$3.70
Aurora	6,271,282	125	12.8%	37,350	0	(99,745)	\$91.89	\$4.44	\$3.54
Markham	35,720,864	813	5.5%	338,042	0	(98,951)	\$109.28	\$6.11	\$3.51
Newmarket	6,902,657	182	7.0%	18,438	48,389	(269,359)	\$71.90	\$4.99	\$3.18
Richmond Hill	15,650,531	262	3.9%	235,541	56,000	311,639	\$133.43	\$5.96	\$3.57
Vaughan	93,012,318	1,704	6.5%	1,156,031	756,499	463,010	\$83.94	\$5.12	\$3.21
NORTH	157,557,652	3,086	6.3%	1,785,402	860,888	306,594	\$90.94	\$5.30	\$3.34
Ajax	8,460,981	189	4.9%	55,000	0	(35,920)	\$62.96	\$4.76	\$2.87
Oshawa	4,101,788	106	14.1%	7,300	0	(357,415)	\$24.14	\$5.37	\$1.75
Pickering	8,489,739	144	10.9%	254,553	0	199,537	\$63.88	\$3.80	\$3.19
Whitby	8,871,510	122	11.8%	53,000	0	265,900	\$80.33	\$4.97	\$2.94
EAST	29,924,018	561	9.9%	369,853	0	72,102	\$55.75	\$4.53	\$3.00
TOTAL	839,283,258	15,098	6.3%	8,990,188	876,458	2,332,900	\$78.76	\$4.89	\$3.29

*Rental rates reflect \$psf/year

** Taxes, Maintenance & Insurance

Results based on buildings 10,000 sf or greater.

MARKET HIGHLIGHTS

SIGNIFICANT 2Q11 LEASE TRANSACTIONS

BUILDING	SUBMARKET	SQ FT	ASKING RATE	DEAL RATE	TMI	TERM [MTHS]
6363 Millcreek Drive	Mississauga	501,923	\$5.95	\$4.65-\$5.25	\$2.36	120
6170 Belgrave Road	Mississauga	245,663	\$4.30	\$6.05-\$6.62	\$2.49	120
5650 Keaton Crescent	Mississauga	151,948	\$4.80	\$5.25-\$5.60	\$3.08	120

SIGNIFICANT 2Q11 SALE TRANSACTIONS

BUILDING	SUBMARKET	SQ FT	ASKING PRICE	PSF	DEAL PRICE	PSF
2200 Islington Avenue	Etobicoke	933,644	n/a	n/a	\$18,375,000	\$19.68
2600 North Park Drive	Brampton	324,350	n/a	n/a	\$29,200,000	\$90.03
3230 Mainway Avenue	Burlington	207,000	\$8,280,000	\$40.00	\$5,500,000	\$26.57

SIGNIFICANT 2Q11 CONSTRUCTION COMPLETIONS

BUILDING	SUBMARKET	MAJOR TENANT / DEVELOPER	SQ FT	COMPLETION DATE
360 Harry Walker Parkway South	Newmarket	Maple Hill Contractors Inc	48,389	Q2 2011
80 Simpson Road	Bolton	Mar Developments Inc	15,570	Q2 2011

SIGNIFICANT PROJECTS UNDER CONSTRUCTION

BUILDING	SUBMARKET	MAJOR TENANT / DEVELOPER	SQ FT	COMPLETION DATE
121 Stone Ridge Road	Newmarket	NHD Developments Limited	233,343	Q4 2011
166 Newkirk Road	Richmond Hill	2022331 Ontario Inc	56,000	Q3 2011



For industry-leading intelligence to support your real estate and business decisions, go to Cushman & Wakefield's Knowledge Center at www.cushmanwakefield.com/knowledge

Cushman & Wakefield Ltd.
2235 Sheppard Avenue East, Suite 1600
Toronto, ON, M2J 5B8
(416) 494-9500

This report contains information available to the public and has been relied upon by Cushman & Wakefield Ltd. on the basis that it is accurate and complete. Cushman & Wakefield Ltd. accepts no responsibility if this should prove not to be the case. No warranty or representation, express or implied, is made to the accuracy or completeness of the information contained herein, and same is submitted subject to errors, omissions, change of price, rental or other conditions, withdrawal without notice, and to any special listing conditions imposed by our principals.

©2011 Cushman & Wakefield Ltd. All rights reserved.