

MARKETBEAT

GREATER TORONTO INDUSTRIAL REPORT

A CUSHMAN & WAKEFIELD RESEARCH PUBLICATION

3Q09

ECONOMY

Employment increased for the second consecutive month, up 31,000 jobs in September, driven by large full-time gains. The unemployment rate fell by 0.3 percentage points to 8.4%, the first monthly decline since the beginning of the labour market downturn in the fall of 2008. Despite September's gains, full-time employment has fallen by 395,000 jobs, or 2.8%, since the employment peak in October 2008. According to Statistics Canada, construction, manufacturing and educational services saw employment increases in September, while there were declines in transportation and warehousing.

OVERVIEW

The vacancy rate in the Greater Toronto Area (GTA) industrial market for the third quarter of 2009 held firm at 7.1%. This represented an overall increase of only 202,833 square feet (sf) of available space from the previous quarter. The Milton/Halton Hills market accounted for the highest increase in available space, growing by 455,473 sf. Other significant increases in available space for sale and lease occurred in Brampton, which was up by 427,386 sf, and in Etobicoke, which experienced an increase of only 299,250 sf over the previous quarter.

The most activity in the leasing market occurred in Mississauga, which was responsible for 32% of the market, compared to the previous quarter's 40%. This was followed by the Vaughan market, with 11.5%, and Scarborough, with a 10.6% share of the leasing market activity. The overall weighted average asking rental rate fell slightly to \$5.04 per square foot (psf) net, from the previous quarter's \$5.14 psf. The highest average asking lease rate occurred in the old city of Toronto at \$6.82 psf, followed by Richmond Hill at \$6.05 psf. The lowest average asking lease rate of \$3.69 psf net occurred in the old city of York, followed by Oshawa at \$3.81 psf.

Major lease transactions during the third quarter included 6115 Edwards Boulevard in Mississauga, with 140,000 sf leasing for \$4.00 psf net, and 475 Admiral Boulevard, also in Mississauga, leased for \$4.45 psf net for a total of 119,886 sf. Sublease transactions accounted for 8.2% of all lease transactions that occurred during the third quarter of 2009, compared to 10.8% for the second quarter.

The sale market was also led by Mississauga during the third quarter, capturing a 33% market share, followed by the Scarborough market with an impressive 21.6%. The overall weighted average asking sale price per square foot in the GTA cracked the \$80 barrier, dropping to \$78.48 psf, from the previous quarter's \$81.02 psf.

Major sale transactions for the third quarter included 5675 Kennedy Road in Mississauga, where a 325,850 sf building sold for \$13.2 million, and 1500 Birchmount Road in Scarborough, where 269,404 sf sold for approximately \$5 million.

OUTLOOK

With the vacancy rate holding firm at 7.1%, the expectation remains that the rate will continue to climb further towards the 7.5% mark by the first quarter of 2010. The downward pressure on lease rates appears to have diminished slightly, whereas downward pressure on sale prices has gained momentum. This trend appears to be temporarily due to some distress sales that occurred during the third quarter, pushing the overall average downward.

BEAT ON THE STREET

"Although the vacancy rate is holding firm and downward pressure on lease rates is easing up a bit, the expectation is that the 'turn-around' period will be slow paced and won't likely show significant signs of improvement until middle to late 2010."

- Mark Stainer, Senior Managing Director
Toronto Industrial

ECONOMIC INDICATORS

	2007	2008	2009F
GDP Growth	2.3%	0.4%	-2.3%
CPI Growth	1.8%	2.4%	0.2%
Unemployment	6.4%	6.2%	8.4%
Employment Growth	1.5%	1.4%	-1.7%

Source: TD Bank Financial – TD Economics Quarterly Economic Forecast

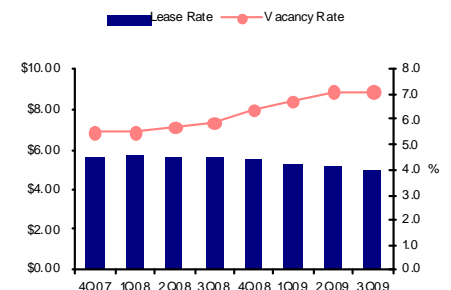
MARKET FORECAST

SALE PRICE – The third quarter saw the average sale price fall below the \$80 psf mark. The trend in this direction will likely continue to the end of the year. ↓

LEASE RATE – The downward trend appears to be levelling off. This deceleration trend may continue for the next two quarters. ↓

VACANCY RATE – Although the vacancy rate held firm at 7.1%, we can expect to see the rate continue toward the 7.5% mark, by Q1 2010. ↔

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	Direct Weighted Average Sale Price*	Direct Weighted Average Rental Rate*	Direct Weighted Average TMI**
Bolton/Caledon	13,255,711	208	13.6%	612,000	766,234	(1,038,772)	-	\$4.99	\$2.31
Brampton	98,993,812	1,140	6.7%	810,121	491,006	(848,672)	\$86.25	\$4.98	\$2.78
Burlington	24,119,593	487	10.9%	267,416	160,000	587,802	\$79.51	\$5.69	\$3.06
Milton/Halton Hills	24,303,457	279	10.9%	31,894	813,628	(761,330)	\$87.36	\$5.50	\$2.66
Mississauga	178,902,479	3,284	8.1%	3,587,842	576,151	(129,931)	\$83.83	\$5.34	\$3.07
Oakville	28,198,067	518	6.7%	105,734	0	(733,970)	\$53.21	\$5.00	\$2.99
WEST	367,773,119	5,916	8.2%	5,415,007	2,807,019	(2,924,873)	\$79.95	\$5.26	\$2.94
East York	9,797,553	171	1.5%	0	0	17,074	\$70.13	\$3.85	\$2.52
Etobicoke	85,360,128	1,385	7.1%	515,695	0	(1,055,622)	\$64.72	\$4.07	\$3.20
North York	87,147,004	1,917	5.3%	607,946	0	261,995	\$73.98	\$4.47	\$3.46
Scarborough	65,112,352	1,289	6.8%	661,102	39,341	(243,945)	\$78.29	\$4.52	\$3.78
Toronto	35,735,477	636	2.3%	154,029	0	124,145	\$86.17	\$6.82	\$2.84
York	6,716,852	146	1.3%	0	0	131,341	\$79.21	\$3.69	\$2.52
CENTRAL	289,869,366	5,544	5.6%	1,954,032	39,341	(765,012)	\$73.45	\$4.42	\$3.46
Aurora	6,252,186	124	9.1%	33,679	0	(48,987)	\$57.93	\$4.47	\$2.99
Markham	35,885,334	795	7.0%	520,050	0	(125,292)	\$100.61	\$5.82	\$3.45
Newmarket	6,716,350	177	5.7%	61,246	0	(125,126)	\$79.78	\$5.61	\$3.11
Richmond Hill	13,848,127	264	5.2%	193,890	50,337	110,730	\$97.94	\$6.05	\$3.22
Vaughan	88,688,334	1,636	7.3%	1,376,679	333,037	856,152	\$91.86	\$5.17	\$2.94
NORTH	151,390,331	2,996	7.1%	2,185,544	383,374	667,477	\$90.02	\$5.35	\$3.14
Ajax	7,915,390	193	6.6%	11,366	0	(175,792)	\$88.16	\$4.76	\$2.78
Oshawa	3,633,253	99	5.8%	21,620	0	(35,640)	\$58.52	\$4.03	\$2.80
Pickering	8,280,580	141	8.3%	179,505	290,000	367,168	\$80.80	\$4.18	\$2.54
Whitby	8,802,362	119	11.0%	91,273	0	(169,543)	\$65.19	\$5.01	\$3.07
EAST	28,631,585	552	8.4%	303,764	290,000	(13,807)	\$65.81	\$4.55	\$2.82
TOTAL	837,664,401	15,008	7.1%	9,858,347	3,519,734	(3,036,215)	\$78.48	\$5.04	\$3.14

*Rental rates reflect \$psf/year

** Taxes, Maintenance & Insurance

Results based on buildings 10,000 sf or greater.

MARKET HIGHLIGHTS

SIGNIFICANT 3Q09 LEASE TRANSACTIONS

BUILDING	SUBMARKET	SQ FT	ASKING RATE	DEAL RATE	TMI	TERM [MTHS]
6115 Edwards Boulevard	Mississauga	140,000	\$6.10	\$4.00	\$3.36	36
475 Admiral Boulevard	Mississauga	119,886	\$4.95	\$4.45	\$2.65	60
125 Edgeware Road	Brampton	105,528	negotiable	\$5.50	n/a	60

SIGNIFICANT 3Q09 SALE TRANSACTIONS

BUILDING	SUBMARKET	SQ FT	ASKING PRICE	PSF	DEAL PRICE	PSF
5675 Kennedy Road	Mississauga	325,850	n/a	n/a	\$13,230,080	\$40.60
1500 Birchmount Road	Scarborough	269,404	\$10,250,000	\$38	\$4,950,000	\$18.37
105 Commander Boulevard	Scarborough	188,045	\$11,500,000	\$61	\$7,900,000	\$42.01

SIGNIFICANT 3Q09 CONSTRUCTION COMPLETIONS

BUILDING	SUBMARKET	MAJOR TENANT / DEVELOPER	SQ FT	COMPLETION DATE
13151 Coleraine Drive	Bolton	HOOPP Realty Inc	224,800	Q3 2009
35 Brownsbridge Road	Halton Hills	Higgins Development Partners	225,777	Q3 2009

SIGNIFICANT PROJECTS UNDER CONSTRUCTION

BUILDING	SUBMARKET	MAJOR TENANT / DEVELOPER	SQ FT	COMPLETION DATE
8690 Escarpment Way	Milton	HOOPP Realty Inc	403,397	Q4 2009
2995 Peddie Road	Milton	Cooper Construction	307,858	Q4 2009



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

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