

# MARKETBEAT

## Greater Toronto Area, ON

Industrial Q4 2017



### GREATER TORONTO AREA

#### Economic Indicators

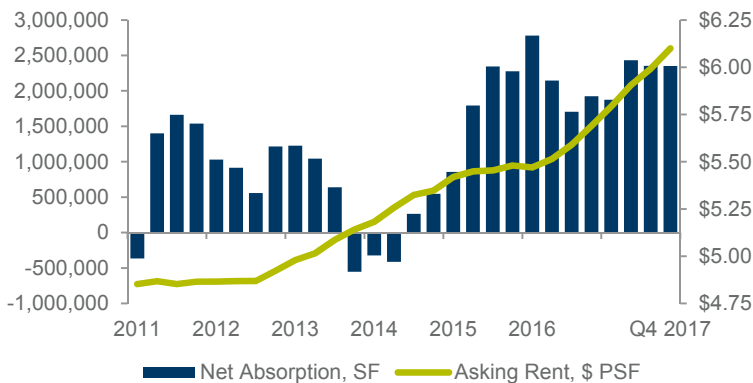
	Q4 16	Q4 17	12-Month Forecast
GTA Employment	3.2 mil	3.4 mil	▼
GTA Unemployment	6.8%	6.0%	▲
Canada Unemployment	6.9%	5.7%	■

Source: Statistics Canada

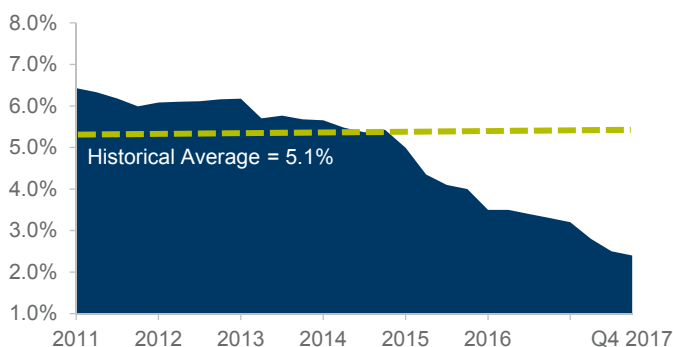
#### Market Indicators (Overall, All Product Types)

	Q4 16	Q4 17	12-Month Forecast
Overall Vacancy	3.3%	2.4%	▼
Net Absorption (sf)	1,623,035	1,608,483	▲
Under Construction (sf)	6,716,113	6,197,144	▲
Overall Average Asking Rent	\$5.86	\$6.29	▲

#### Net Absorption/Overall Asking Rent 4Q TRAILING AVERAGE



#### Overall Vacancy



### Economy

Canada's economic performance was much stronger than anticipated in 2017 with robust job growth driving the Canadian unemployment rate to a 40 year low of 5.7%. Canada's real GDP growth ranked at the top among the G7 countries with overall real GDP growth expected to hit a 7 year high of 2.9%. Ontario saw its minimum wage rise from \$11.60 per hour to \$14.00 on January 1st, 2018 and will increase further to \$15.00 per hour on January 1st, 2019. Interest rates have begun to rise, and this should slow residential investment as we move through 2019.

### Market Overview

Industrial real estate remains the asset of choice across Canadian real estate markets, and the GTA was no exception. Over the fourth quarter, robust demand drove vacancy to a historic low of 2.4%, representing the twelfth consecutive decline since the fourth quarter 2014. Across the hot GTA West and North submarkets, vacancy fell to record lows of 2.8% and 2.1%, respectively. Competition for quality product is finally putting upward pressure on rental rates, with lease rates rising by 7.3% annualized, a record rise over a one year period. New supply cannot reach the market quickly enough. 1.1 million square feet (msf) of new supply arrived at market over the fourth quarter, 83% of which was built on spec. 9.4 msf of space was absorbed over 2017, a 10 year high. Mississauga saw 2.7 msf of absorption and Milton/Halton Hills saw 1.8 msf absorbed. Quality and location are driving demand with 41% of this quarter's leasing activity targeting 32 feet clear height and upwards. Wayfair completed a lease on a speculative development for 770,000 square feet (sf) at 40 foot clear. This represents Mississauga's largest new lease of 2017 and was the GTA's second largest deal this past year, next to the Kraft Heinz Canada lease of 774,614 sf at 7951 Fifth Line, Halton Hills.

### Outlook

Rising interest rates will take a bite out of consumer demand in 2018, particularly because of the record debt held by Canadians. Rising mortgage rates could ease acquisition fever by owner occupiers across the GTA creating more balance between supply and demand. There are rumours that the U.S. may pull out of the NAFTA negotiations, and the impact on Canadian trade would generally be viewed as negative. Canadian real GDP growth is forecast to grow by 2.0% in 2018, a significant decline in momentum from 2017. An increase in Ontario's minimum wage will make it more expensive to do business in the GTA, providing incentive to develop more automated solutions supporting warehouse operations.

## Key Lease Transactions Q4 2017

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
2020 Logistics Drive	770,664	Wayfair Inc	New Lease	Mississauga
12333 Airport Road	252,528	Anatolia Tile	New Lease	Caledon
8500 Mount Pleasant Way	219,320	Lowe's	New Lease	Milton

## Key Sale Transactions Q4 2017

PROPERTY	SF	SELLER / BUYER	PRICE / \$PSF	SUBMARKET
2721 Plymouth Drive	89,597	Whitemud Place Properties Inc. / Thermon Heating Systems, Inc.	\$7,825,700 / \$87	Oakville
11 Finley Road	89,329	S&H Bassi Holdings Inc. / Jarah Holdings Ltd.	\$10,525,000 / \$118	Brampton
3640 McNicoll Avenue	85,132	Toronto Industrial North East Holdings Inc. / 2329502 Ontario Inc.	\$12,250,000 / \$144	Scarborough

## Key Properties Under Construction Q4 2017

PROPERTY	SF	DEVELOPER / LANDLORD	EXPECTED COMPLETION DATE	SUBMARKET
12724 Coleraine Drive	966,242	Ontari Holdings Ltd.	Q4 2018	Caledon
233 Madill Boulevard	446,160	Orlando Corporation	Q1 2018	Mississauga
100 Gibraltar Road	383,194	Anatolia Capital Corp.	Q4 2018	Vaughan
7245 Highway 50 - Bldg 1	344,930	Anatolia Capital Corp	Q3 2018	Vaughan
150 New Huntington Road	298,600	Vaughan West II Limited	Q1 2018	Vaughan
7171 Highway 50 South	253,837	Anatolia Capital Corp.	Q3 2018	Vaughan
3500 Argentia Road	248,856	Prologis	Q4 2017	Mississauga
3650/3660/3670/3680 Odyssey Drive (4 buildings)	238,658 (56,563- 61,259)	The Erin Mills Development Corporation	Q2-Q3 2018	Mississauga
3135 Markham Road	61,295	M & R Holdings Inc.	Q4 2018	Scarborough

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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	314	16,947,827	0.6%	55,454	298,884	-91,430	n/a	n/a	\$7.06	\$3.45	n/a
Etobicoke	1,122	68,819,868	2.8%	1,686,904	3,150,592	104,395	n/a	n/a	\$5.33	\$3.27	\$215.38
North York	1,606	73,943,969	1.7%	1,333,157	1,642,884	-219	n/a	n/a	\$6.55	\$3.50	n/a
Scarborough	1,109	57,906,087	1.7%	1,356,016	2,883,722	629,774	84,358	n/a	\$5.93	\$3.89	\$87.98
Toronto	196	8,841,400	n/a	n/a	144,308	34,262	n/a	n/a	n/a	n/a	n/a
York	208	11,217,734	n/a	n/a	24,050	n/a	n/a	n/a	n/a	n/a	n/a
<b>GTA CENTRAL</b>	<b>4,555</b>	<b>237,676,885</b>	<b>1.8%</b>	<b>4,431,531</b>	<b>8,144,440</b>	<b>676,782</b>	<b>84,358</b>	<b>n/a</b>	<b>\$5.88</b>	<b>\$3.48</b>	<b>\$151.05</b>
Bolton/Caledon	196	13,250,910	5.6%	1,559,260	141,645	373,784	1,155,963	n/a	\$6.45	\$2.58	n/a
Brampton	1,077	96,779,917	1.6%	3,417,651	5,332,876	916,196	368,710	1,114,163	\$6.68	\$3.02	\$205.00
Burlington	483	22,363,378	3.9%	569,010	720,630	185,095	27,016	n/a	\$5.93	\$3.51	\$77.90
Milton/Halton Hills	281	26,005,571	11.4%	2,288,509	535,741	1,778,695	510,658	1,720,813	\$6.57	\$2.53	n/a
Mississauga	3,206	172,668,633	1.9%	8,086,805	5,892,559	2,726,948	2,347,336	1,129,603	\$6.47	\$3.30	\$157.34
Oakville	460	23,242,964	2.1%	510,956	960,367	134,629	n/a	n/a	\$6.07	\$2.78	n/a
<b>GTA WEST</b>	<b>5,703</b>	<b>354,311,373</b>	<b>2.8%</b>	<b>16,432,191</b>	<b>13,583,818</b>	<b>6,115,347</b>	<b>4,409,683</b>	<b>3,964,579</b>	<b>\$6.50</b>	<b>\$2.91</b>	<b>\$114.74</b>
Aurora	109	5,854,146	2.9%	114,536	47,250	-18,559		93,737	\$7.96	\$3.51	
Markham	705	31,700,429	1.2%	898,146	765,118	458,874			\$7.58	\$3.68	\$256.41
Newmarket	148	6,223,509	2.4%	435,988	46,700	311,219	61,064		\$4.83	\$2.72	
Richmond Hill	241	11,792,177	1.1%	436,235	363,972	119,621			\$8.61	\$4.27	
Vaughan	1,606	91,955,984	2.4%	2,558,384	1,522,384	1,254,966	1,594,369	729,646	\$6.31	\$3.02	
<b>GTA NORTH</b>	<b>2,809</b>	<b>147,526,245</b>	<b>2.1%</b>	<b>4,443,289</b>	<b>2,745,424</b>	<b>2,126,121</b>	<b>1,655,433</b>	<b>823,383</b>	<b>\$6.53</b>	<b>\$3.12</b>	<b>\$256.41</b>
Ajax	144	7,463,006	1.2%	48,090		-943			\$5.08	\$3.50	
Oshawa	119	5,498,481	8.0%		22,950	-50,000			\$4.93	\$2.21	\$121.76
Pickering	135	8,806,324	1.7%	267,641	240,853	163,987			\$5.39	\$3.64	
Whitby	112	8,240,903	2.4%	746,123	1,092,041	368,543	47,670		\$5.81	\$3.68	
<b>GTA EAST</b>	<b>510</b>	<b>30,008,714</b>	<b>2.9%</b>	<b>138,731</b>	<b>1,355,844</b>	<b>481,587</b>	<b>47,670</b>		<b>\$5.22</b>	<b>\$2.92</b>	<b>\$121.76</b>
<b>SUBURBAN</b>	<b>9,022</b>	<b>531,846,332</b>	<b>2.6%</b>	<b>21,937,334</b>	<b>17,685,086</b>	<b>8,723,055</b>	<b>6,112,786</b>	<b>4,787,962</b>	<b>\$6.42</b>	<b>\$2.96</b>	<b>\$127.27</b>
<b>GTA OVERALL</b>	<b>13,577</b>	<b>769,523,217</b>	<b>2.4%</b>	<b>26,368,865</b>	<b>25,829,526</b>	<b>9,399,837</b>	<b>6,197,144</b>	<b>4,787,962</b>	<b>\$6.29</b>	<b>\$3.08</b>	<b>\$129.62</b>

\* Inventory is based on existing buildings that are equal to or greater than 10,000 sf. \*Rental rates reflect asking \$psf/year