

Research &
Forecast Report

GREATER TORONTO AREA INDUSTRIAL MARKET

First Quarter 2019



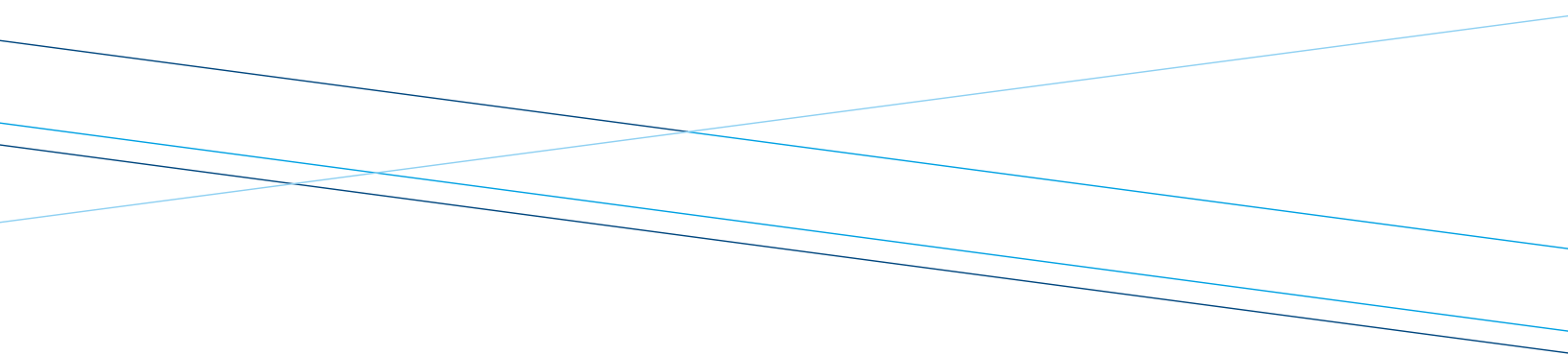
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GTA Market Overview

Q1 2019 Market Trends

The GTA industrial market continues to reach new heights, breaking records set last quarter. Q1 2019 concluded with record industrial asking rental growth rate of 22.5% YoY, historic low availability of 1.2%, and continued sales momentum carrying over from 2018.

The historic low availability of 1.2% is unprecedented. At the height of the market back in 2007, availability rate reached 5.3%. Strong tenant demand will continue to put upward pressure on rents.

There is currently 7.6 million SF of industrial property under construction in the GTA, the majority of which is expected to arrive in Q3 2019 (23%), and Q4 2019 (21%). Strong tenant pre-commitment on these projects means availability of space is unlikely to improve and alleviate current demands.

- Q1 2019 concluded with record industrial growth in rental rates, historic low availability and continued sales momentum carrying over from 2018.
- Industrial rental rates across the GTA increased to \$7.85 PSF from \$6.41 PSF in Q1 2018 reflecting a 22.5% YoY rental growth.
- Historic low availability and strong tenant demand will continue to put upward pressure on rents.

Market Indicators

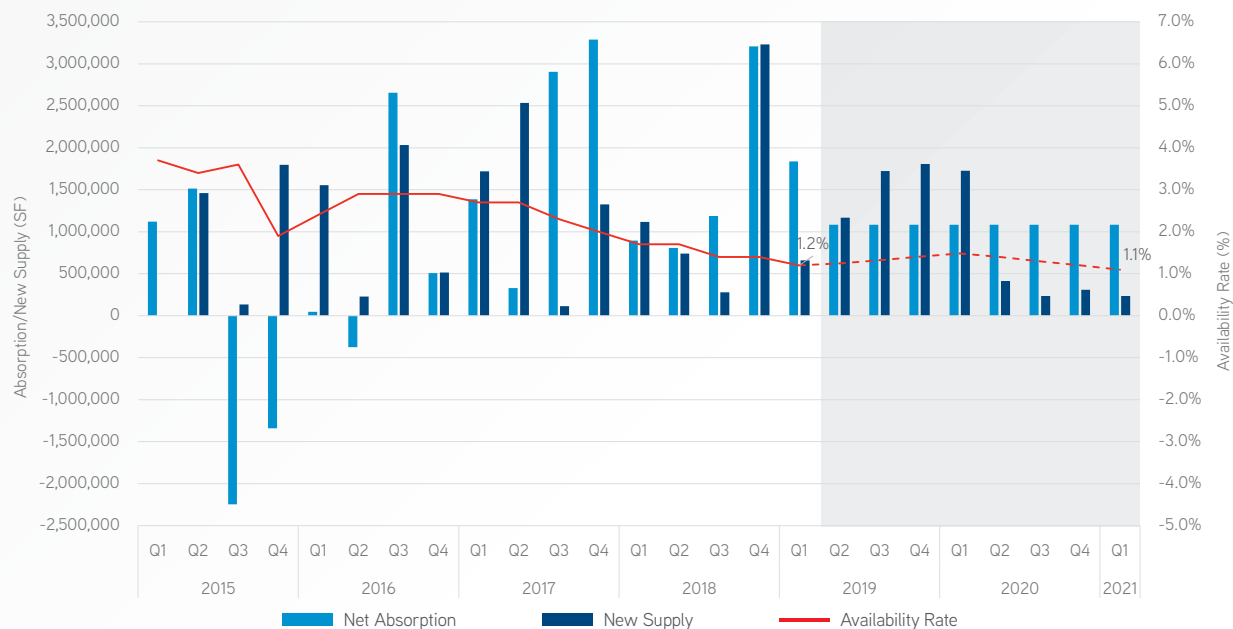
Relative to prior period

	Market Q1 2018	Market Q1 2019	YoY Trend
Availability Rate	1.7%	1.2%	↓
Net Absorption (SF)	895,175	1,838,603	↑
Under Construction (SF)	4,115,597	7,613,784	↑
Average Asking Rent (PSF)	\$6.41	\$7.85	↑
Average Sale Price (PSF)	\$134.75	\$160.42	↑

GTA Direct Availabilities Breakdown



Historical Performance and Forecast



GTA Central

GTA Central market reported the second lowest availability rate in the GTA at 0.9% in Q1 2019. Due to the lack of available space, average asking net rents reached a new high of \$7.73 PSF with rents growing at 34.0% YoY.

About 370,000 SF of new supply was leased at 1395 Tapscott Road in Scarborough East by H. Paulin & Co which signed a 10-year lease. A total of 1.4 million SF is currently under construction in GTA Central, a significant ramp-up in activity compared to recent years. Between 2013 to 2018, an average of only 50,000 SF of new supply was added to the Central market each year.

Summary Statistics

Q1 2019 Regional Industrial Market	2018 Q1	2019 Q1	YoY Trend
Availability Rate	1.1%	0.9%	↓
Net Absorption (SF)	-75,471	166,717	↑
Under Construction (SF)	1,034,588	1,424,357	↑
Average Asking Rent (PSF)	\$5.77	\$7.73	↑
Average Sale Price (PSF)	\$126.38	\$144.86	↑

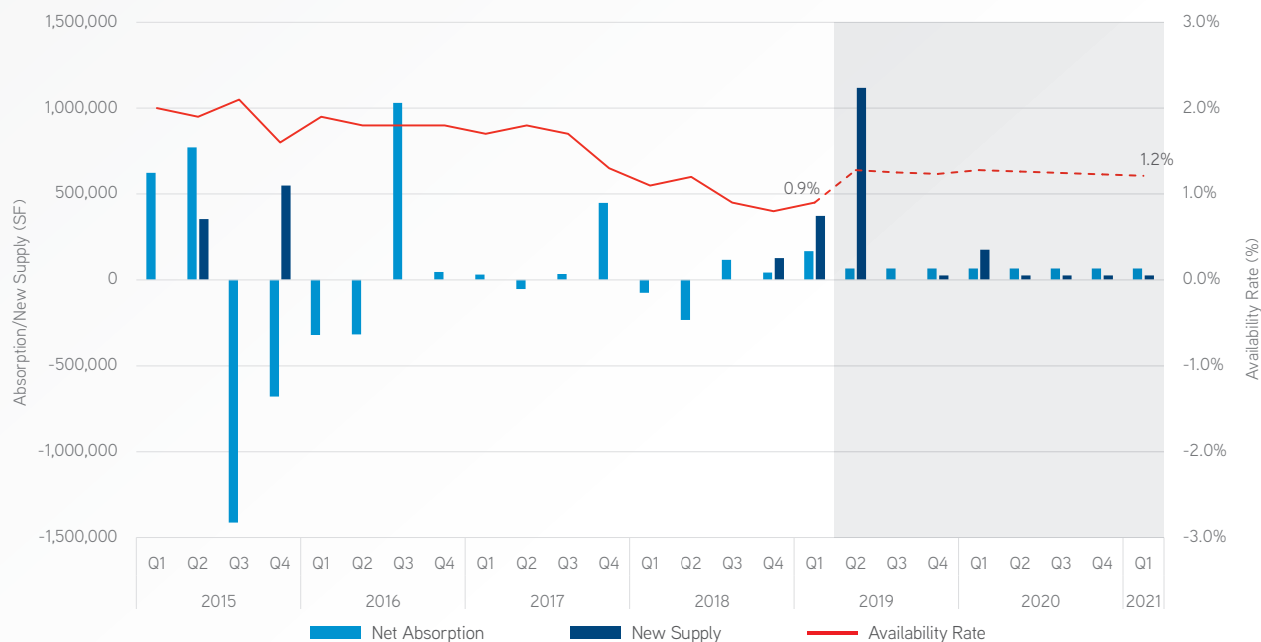
Trends

- › The GTA Central market remains tight at 0.9% in Q1 2019, the lowest availability rate in the GTA.
- › The lack of available space has seen average asking net rents reach \$7.73 PSF with a rental growth of 34.0% YoY.
- › A total of 1.4 million SF is currently under construction in GTA Central, a significant ramp-up in activity compared to recent years.

GTA Central Direct Availabilities Breakdown



Historical Performance and Forecast



GTA East

The GTA East's largest investment transaction in Q1 2019, by both size and dollar volume, took place in Whitby. Bentall Kennedy purchased 185 William Smith Drive, approximately 220,000 SF property for \$27.5 million. This is the second consecutive quarter a property exceeding 200,000 SF sold for \$25 million plus taking place in Whitby.

Carttera is developing two buildings at 1652 Tricont Avenue totalling 370,000 SF with completion expected by Q4 2019. This is the first speculative development in the GTA East since 2016. Also expected to be completed by the end of 2019 is the Gordon Food Services' new 330,000 SF distribution centre at 200 Salem Road North in Ajax.

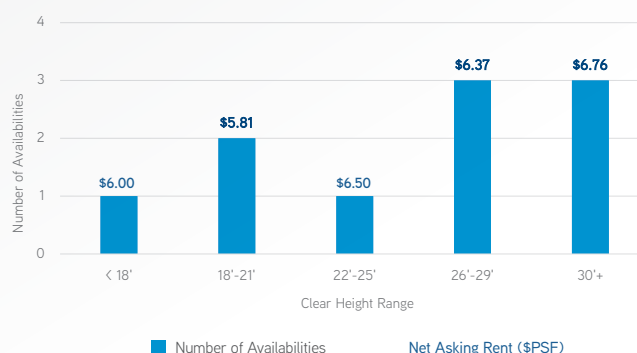
Summary Statistics

Q1 2019 Regional Industrial Market	2018 Q1	2019 Q1	YoY Trend
Availability Rate	0.9%	1.8%	↑
Net Absorption (SF)	76,277	-32,862	↓
Under Construction (SF)	20,600	700,000	↑
Average Asking Rent (PSF)	\$5.90	\$6.39	↑
Average Sale Price (PSF)	\$73.83	\$116.44	↑

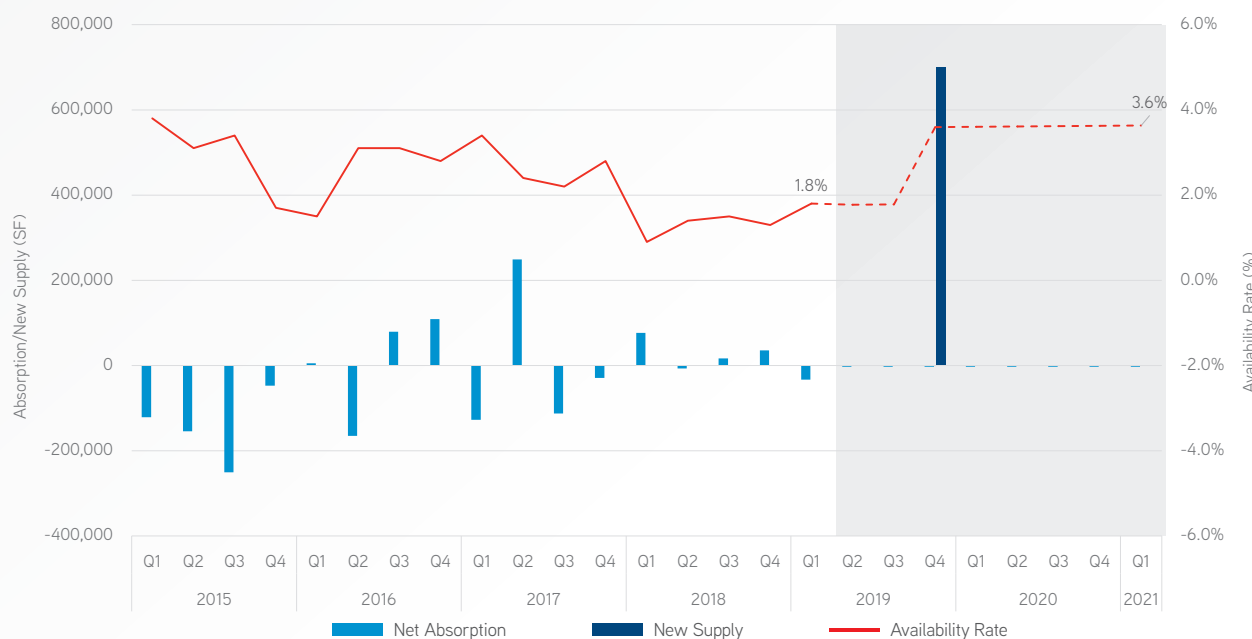
Trends

- After two consecutive quarters of decreasing rental rates, the GTA East's asking net rental rate increased by over \$0.50 and now sits at an all-time high of \$6.39 PSF.
- GTA East has only 10 direct availabilities over 15,000 SF in existing building stock. The lack of availabilities resulted in less than 100,000 SF of direct vacant space for the first time in nearly two years.

GTA East Direct Availabilities Breakdown



Historical Performance and Forecast



GTA North

In Q1 2019, close to one million SF was absorbed in GTA North, greater than any other GTA markets. Give & Go Prepared Foods leased two buildings in Vaughan, 150 Gibraltar Road and 7245 Highway 50, for a combined total of over 600,000 SF.

Direct availabilities in the GTA North are predominately in the 18' to 21' clear height range, representing over 39% of all availabilities. Ozery Bakery purchased 11 Director Court in Vaughan for over \$11.5 million in February 2019.

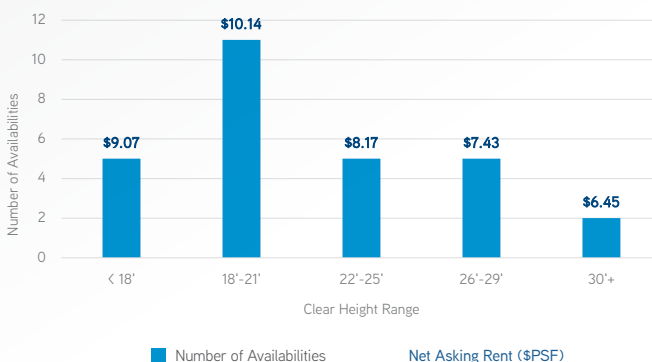
Trends

- Average asking rental rates increased by over \$1.00 QoQ in the GTA North, the largest increase of all the GTA markets. This was spurred by Vaughan's net rental rates increasing by 21.1% QoQ.
- The level of positive absorption in the GTA North has increased for four consecutive quarters, the most when compared to other GTA markets. Industrial space continues to be taken up at an increasing rate due to the submarkets proximity to existing highways and central location.

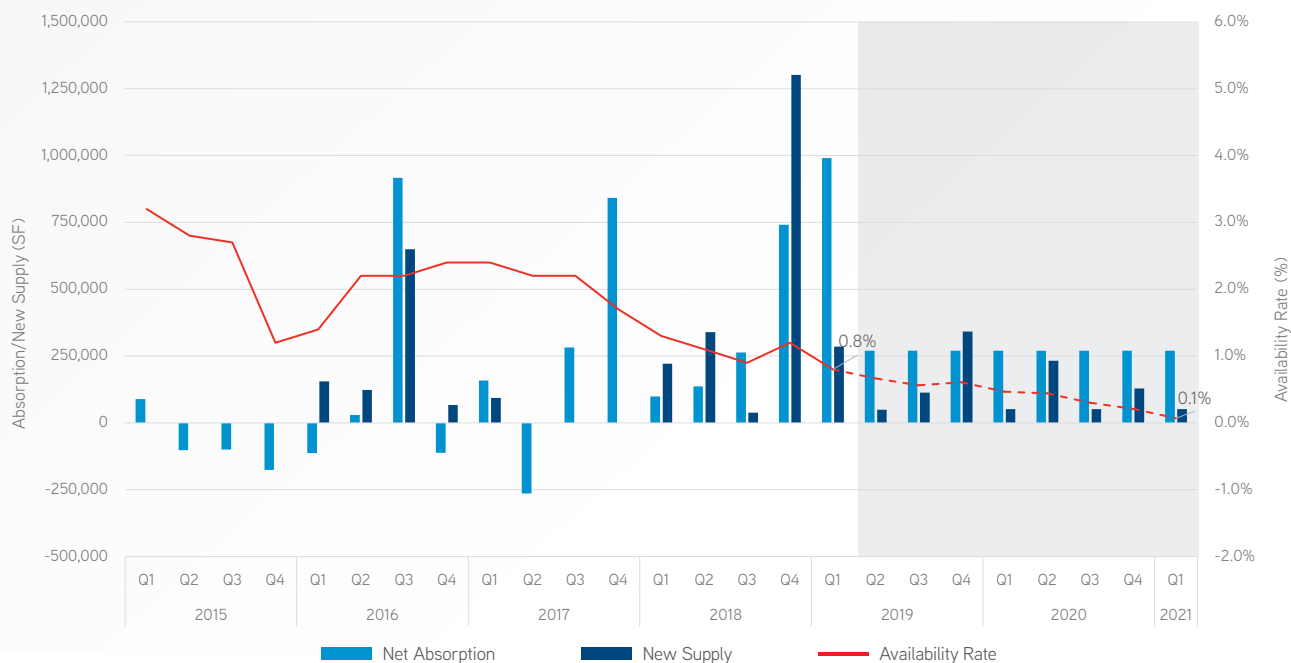
Summary Statistics

Q1 2019 Regional Industrial Market	2018 Q1	2019 Q1	YoY Trend
Availability Rate	1.3%	0.8%	↓
Net Absorption (SF)	98,947	990,940	↑
Under Construction (SF)	1,241,180	1,021,329	↓
Average Asking Rent (PSF)	\$6.73	\$8.70	↑
Average Sale Price (PSF)	\$150.41	\$197.83	↑

GTA North Direct Availabilities Breakdown



Historical Performance and Forecast



GTA West

Over 700,000 SF of existing buildings were absorbed in the GTA West in Q1 2019, despite no new supply added this quarter. The average asking net rent grew strongly at 20.1% YoY in Q1 2019.

The higher asking rents in Mississauga and Brampton have prompted tenants to look for space further west in Milton and Halton Hills, where over 450,000 SF were absorbed this quarter, making up nearly two-thirds of the activity in the GTA West market. A notable lease transaction included 6 Cleve Court in Halton Hills where Metrie has signed a new 10-year lease on a 240,000 SF building. A wave of new industrial supply is expected to arrive in Q3 2019 totalling 1.6 million SF. This includes DSV Global Transport and Logistics' state-of-the-art 1.1 million SF Milton industrial building.

Strong investor appetite continues to push average industrial yields downwards to 4.5% in the GTA West. Significant sale transactions this quarter include Menkes' purchase of 2301-2311 Royal Windsor Drive, a 204,000 SF property located in Mississauga South/East submarket for \$25.7 million.

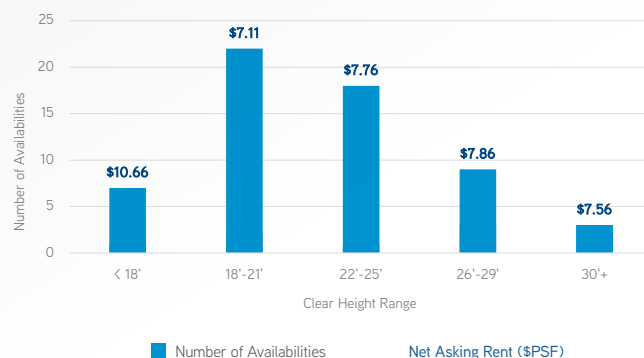
Trends

- The average asking net rent increased 20.1% YoY in Q1 2019 highlighting strong growth and tenant activity.
- Availability rate declined this quarter to 1.6% from 1.9% in Q4 2018, reaching a new record low.
- There is just under 4.5 million SF of industrial developments under construction in the GTA West. A wave of new industrial supply is expected to arrive in Q3 2019 totalling 1.6 million SF.

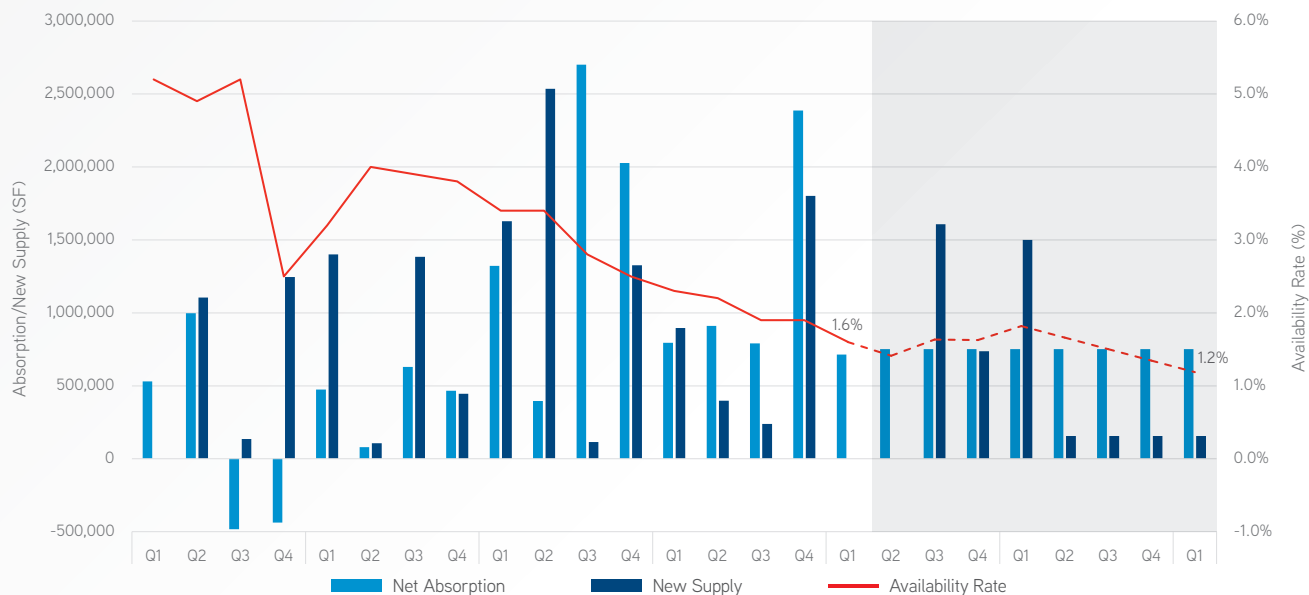
Summary Statistics

Q1 2019 Regional Industrial Market	2018 Q1	2019 Q1	YoY Trend
Availability Rate	2.3%	1.6%	↓
Net Absorption (SF)	795,422	713,808	↑
Under Construction (SF)	1,819,229	4,468,098	↑
Average Asking Rent (PSF)	\$6.56	\$7.88	↑
Average Sale Price (PSF)	\$141.02	\$169.30	↑

GTA West Direct Availabilities Breakdown



Historical Performance and Forecast

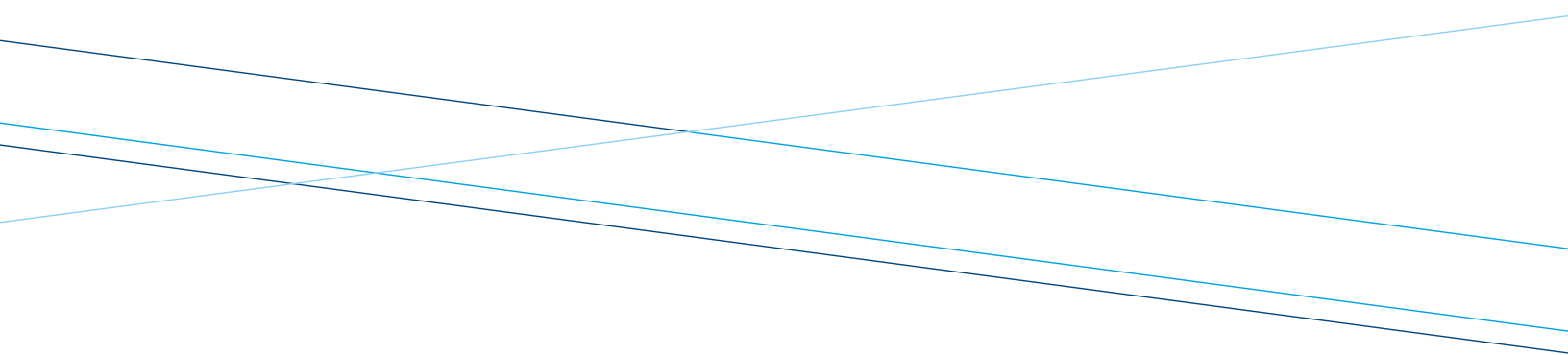


Notable Transactions & Key Statistics

Market Stats							
MARKET	# OF BUILDINGS	INDUSTRIAL INVENTORY (SF)	AVAILABILITY RATE (%)	PROPORTION OF SUBLEASE AVAILABILITY (%)	ABSORPTION (SF)	AVERAGE ASKING NET RENT (\$)	CURRENTLY UNDER CONSTRUCTION (SF)
GTA	12,189	808,947,571	1.2%	15.6%	1,838,603	\$7.85	7,613,784
GTA Central	4,076	243,040,539	0.9%	11.9%	166,717	\$7.73	1,424,357
Suburbs	8,113	565,907,032	1.4%	16.5%	1,671,886	\$7.93	6,189,427
GTA East	536	37,370,443	1.8%	5.1%	-32,862	\$6.39	700,000
GTA North	2,656	154,550,138	0.8%	4.0%	990,940	\$8.70	1,021,329
GTA West	4,921	373,986,451	1.6%	20.4%	713,808	\$7.88	4,468,098

Notable Lease Transactions				
TENANT	ADDRESS	AREA (SF)	MARKET	LEASE TYPE
Give & Go	150 Gibraltar Road	375,000	North - Vaughan	Head Lease
Wesbell Logistics	6135 Kennedy Road	264,860	West - Mississauga West	Sub Lease
Metrie	6 Cleve Court	240,000	West - Halton Hills	Head Lease
Give & Go	7245 Highway 50	240,000	North - Vaughan	Head Lease
Martinrea International Inc.	6655 Northwest Drive	201,046	West - Mississauga East	Head Lease
Corporate Express Canada, Inc.	550 Pendant Drive	170,472	West - Mississauga West	Extension
TOC Logistics Incorporated	12880 Coleraine Drive	150,000	West - Caledon	Head Lease
IMCD Canada Limited	99 Summerlea Road	109,394	West - Brampton East	Extension
Upper Canada Soap & Candle Makers Corporation	5875 Chedworth Way	101,933	West - Mississauga Central / West	Head Lease

Notable Industrial Developments					
ADDRESS	AREA (SF)	ESTIMATED COMPLETION	OWNER/DEVELOPER	MARKET	BUILDING STATUS
Fifth Line	1,100,000	2019 Q3	DSV Solutions Inc.	West - Milton	Under Construction
12724 Coleraine Drive	966,242	2020 Q1	Blackwood Partners Inc.	West - Caledon	Under Construction
2233 Sheppard Avenue West, Bldg A	823,558	2019 Q2	One Property Limited	Central - Weston	Under Construction
1652 Tricont Avenue	370,000	2019 Q4	Carttera	East - Whitby	Under Construction
200 Salem Road North	330,000	2019 Q4	Gordon Food Service	East - Ajax	Under Construction
20 Westbridge Drive	324,706	2019 Q4	QuadReal	West - Halton Hills	Under Construction
2299 Hogan Drive	303,918	2019 Q3	Orlando Corporation	West - Mississauga Meadowvale	Under Construction
6050 Millcreek Drive	303,594	2020 Q1	Orlando Corporation	West - Mississauga Meadowvale	Under Construction
75 Venture Drive	295,087	2019 Q2	Pure Industrial Real Estate Trust	Central - Scarborough East	Under Construction
6415 Northam Drive	205,877	2019 Q4	Orlando Corporation	West - Mississauga East	Under Construction



Glossary

YoY:

Year over Year, the change from one year to the next.

QoQ:

Quarter over Quarter, the change from one quarter to the next.

Weighted Average Asking Net Rent:

The dollar amount requested by landlords for an available space, expressed as an average based on the weight of available space.

Availability:

The total amount of space that is currently being marketed as available for lease or sublease at the end of the quarter. It includes space that is available, regardless of whether the space is vacant or occupied.

Net Absorption:

The net absorption in available space in a given market between the current quarter and the previous quarter.

Direct Availability:

Space that is being offered for lease directly from the landlord or owner of a building, not space by another tenant in the building trying to sublet a space that has already been leased.

Sublease Availability:

Sublet space that is available for sublease by a tenant to another lessee for a term equal to or shorter than that held by the tenant under its original lease with the landlord.

Under Construction:

Buildings where actual ground breaking has occurred (site excavation or foundation poured) and construction is ongoing (not abandoned or discontinued) but for which a certificate of occupancy has not yet been issued.

New Supply:

Total square footage with completed construction, where all that remains is the installation of tenant finishes.

GTA Central:

Includes East York, Etobicoke, North York, Scarborough, Toronto, and York.

GTA East:

Includes Ajax, Oshawa, Pickering, and Whitby.

GTA North:

Includes Aurora, Markham, Newmarket, Richmond Hill, Vaughan, and Whitchurch-Stouffville.

GTA West:

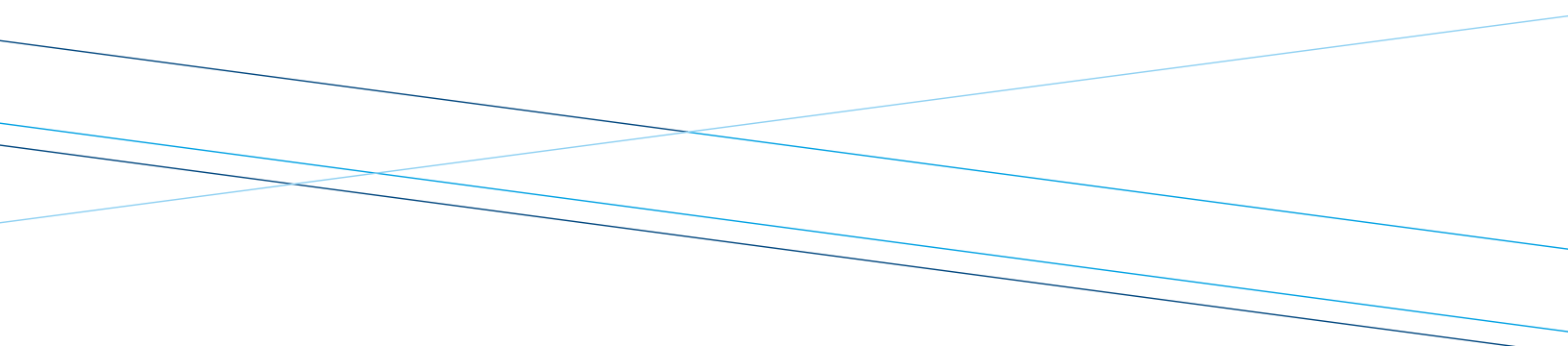
Includes Brampton, Burlington, Caledon, Halton Hills, Milton, Mississauga, and Oakville.

Forecast Assumptions & Terminology

Survey results presented on this report have been condensed for reference. Results are updated periodically to ensure accuracy and therefore historically published results are subject to change.

Absorption was calculated using moving averages of 40 trailing quarters of absorption data and implemented with incoming new speculative and build-to-suit developments.

Colliers International has adopted NAIOP's terms and definitions which is reflected in this glossary and report.



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\$3.3B

US* in annual
revenue

2B

square feet
under management

17,300

professionals
and staff

*Based on 2018 results

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