

INDUSTRIAL MARKET REPORT

THIRD QUARTER 2018

“*Legalization of Marijuana and new-USMCA deal ushers in historic era for GTA industrial market*”

Following a year of missed deadlines and intense negotiations, the renegotiation of NAFTA has signaled a positive outlook for Canada's economy and its exporters. Labeled the United States Mexico Canada Agreement (USMCA), this new free trade covenant not only preserves the framework of NAFTA, but it also helps establish an outline for navigating the modern economic marketplace. Despite it being unclear on how it will exactly affect the market since it is expected to come into effect in 2020, the USMCA gives the Canadian economy a sense of comfort for now. Prior to its signing, Export Development Canada estimated that 6% of Canadian exporters delayed their investment plans due to the elevated NAFTA uncertainty. Now that the USMCA has been signed, Export Development is expecting there to be an overall boost to investment and economic activity in the Canadian marketplace over the upcoming quarters.

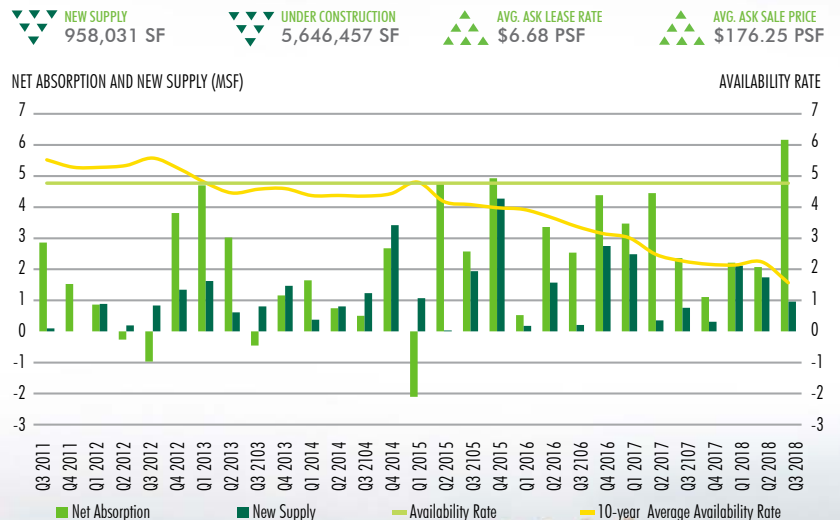
In terms of commercial real estate, the industrial sector is set to benefit from the new agreement. Since NAFTA's inception in 1994, the Greater Toronto Area's (GTA) warehouse inventory has grown by 181 million sq. ft., a number which is expected to grow following the new trilateral agreement. One of the sectors that is expected to see the largest economic impact in response to the USMCA is manufacturing. Not only was the Canadian auto sector protected from potentially significant United States auto tariffs, but within five years, automobiles must have 75% of their components manufactured in Mexico, the US, or Canada to qualify for zero tariffs. As a result, manufacturing markets may see short-term demand as supply chains are adjusted and more parts are sourced from North America to meet these requirements. Moreover, USMCA stipulates that 40% of a vehicle's value must be completed by workers who earn \$16 per hour USD. According to economists, this decision was done to force automakers to shift their business towards suppliers in Canada and the United States. Overall, the USMCA is expected to reduce short-term uncertainty for businesses in Canada, as well as support the demand for commercial real estate.

Now that recreational marijuana is legal across Canada, it is expected that this industry will attribute to an increase in demand for industrial space. Of the 100 licensed producers of cannabis in Canada, 69 were issued in Ontario. As a result, cannabis related operators continue to search for their warehousing options in the GTA market. While it may be too early to pinpoint exactly how much production space will be needed, tenants need for space could evolve quickly, resulting in a need for further space for expansion.

GREATER TORONTO

Average net asking lease rates increased for a sixth consecutive quarter, hitting a record high of \$6.68 per sq. ft. With the availability rate reaching a record low of 1.6% this quarter, upward pressure on rents is expected to persist. With a prolonged shortage of available options, large users have recently opted for design-builds, showcasing a capacity and desire for retention in the GTA. With site servicing underway, Amazon's 1.0 million sq. ft. design-build at 12724 Coleraine Drive and Canadian Tire's 1.3 million sq. ft. project at 10254 Hurontario Street are expected to break ground shortly. Elsewhere in the GTA, Kubota is planning their own 565,500 sq. ft. facility in Pickering and DSV Logistics is expecting to have an approximate 1.1 million sq. ft. design-build in Milton by 2020. With over 4.8 million sq. ft. of new supply already introduced in 2018, and another 5.6 million sq. ft. under construction, developers have seemingly become more aggressive to meet the market's demand. In just three quarters, 2018's completions have already exceeded the yearly totals for 2016 and 2017. Due to the aforementioned design-builds, as well as various speculative developments expected to break ground shortly, an influx of new construction throughout 2019 and 2020 can be anticipated. The outlook on expected new construction could lead to 2019 and 2020 new supply numbers substantially exceeding the anticipated year-end 2018 new supply number of 6.3 million sq. ft. In a market often defined by demand outweighing supply, these construction forecasts display an increased confidence in landlords to meet tenant needs.

GTA Fundamentals - Historical Analysis



Source: CBRE Research, Q3 2018



CBRE

AVAILABLE LAND

GTA WEST LAND STATS Q3 2018	AVERAGE LAND PRICE (\$/ACRE)	DEVELOPMENT CHARGES			
		MILTON	BRAMPTON	MISSISSAUGA	ETOBICOKE
	1,187,857	\$17.20	\$19.25	\$22.63	\$1.07

340 MAIN STREET N | HALTON HILLS | ON



- Halton Hills newest Industrial Park totaling 55 acres
- Hard to find rail access and outside storage
- Zoned EMP and fully serviced
- Phase 1 complete; Phase 2 lands ready
- Lands available for sale / design build



INDUSTRIAL DEVELOPMENT LANDS | PUSLINCH | ON



- Two large format development sites in Puslinch, ON
- 33 acres zoned Industrial, at the corner of Brock Road and McLean
- 25 acres, in the final stages of Industrial rezoning, along McLean Road and fronting Highway 401
- Location provides opportunity to access GTA markets as well as US Borders



AVAILABLE FOR LEASE

GTA WEST INDUSTRIAL LEASE STATS Q3 2018	TOTAL AVAILABLE (SQ. FT.)	ABSORPTION YTD	AVAILABILITY RATE	AVERAGE ASKING RATE	AVERAGE TMI
	5,648,130	7,577,242	1.9%	\$6.75	\$3.25

25 TYLER STREET | CAMBRIDGE | ON



- ±143,695 sq. ft. for Lease
- 28' warehouse with ESFR sprinkler
- Easy highway access & Highway 401 exposure
- Space can be divided - units starting at 20,000 sq. ft.
- New construction
- Spring 2019 delivery

5135 CREEKBANK ROAD MISSISSAUGA, ON



- 48,000 sq.ft. available for lease
- Highly desirable location at Mississauga's 401 & Dixie corridor
- Oversized drive-in doors
- Flexible warehouse size
- Fully fenced & secured yard with gate
- Quick access to Highways 401, 410, 407 & 427

REXDALE BOULEVARD TORONTO, ON



- 45,000 sq. ft. for lease
- Excellent bulk warehouse and distribution space
- Clean warehouse with trailer parking
- Easy access to Highways 401, 409, 427
- Low cost solution
- Great shipping

12833 HIGHWAY 50 BOLTON, ON



- 7,250 Sq. Ft. and yard area
- High traffic area next to major retailers
- Unit is spread over two floors
- Fully secured yard
- Perfect for equipment rental company, contractor, building supplies

AVAILABLE FOR SALE

GTA WEST INDUSTRIAL SALE STATS Q3 2018	AVERAGE MORTGAGE RATE	AVAILABLE FOR SALE (SQ.FT.)	AVERAGE ASKING PRICE (/SQ.FT.)	INDUSTRIAL CAP RATE	CLOSED TRANSACTIONS
	3.70%	863,668	\$168.51	5.00%	48

489 HIGHWAY 8 HAMILTON, ON



- 9.5 acres | 12,000 sq.ft. (Building 'B') | 13,642 sq.ft. (Building 'A')
- Fully operational transportation facility
- Fully graveled, fenced and lit yard
- Tim Hortons & Shell station across the street
- Well located outside Hamilton with access to the GTA, South western Ontario & US border

1771 AIMCO BOULEVARD MISSISSAUGA, ON



- 95,000 Sq. Ft. on 10.12 acres
- 4.67 acres of vacant land
- Highly sought after Dixie/401 location
- Income in PLACE
- Ideal development site allowing for a number of configurations

1290 AIMCO BOULEVARD MISSISSAUGA, ON



- 12,056 sq. ft.
- Radiant (closed flame) heating in shop
- Clean warehouse with good shipping and truck court
- Well laid out office area
- Fully Sprinklered
- Extra land for expansion, parking or outside storage

4 ALFRED KUEHNE BOULEVARD BRAMPTON, ON



- Flexible sizes: 2,750 sq. ft. - 12,500 sq. ft.
- Truck level & drive-in shipping
- Building upgrades: New roof & asphalt, landscaping work, exterior LEDs
- 18' clear height
- GO station next door
- Rare M2 zoning

1300 AIMCO BOULEVARD MISSISSAUGA, ON



- 15,047 sq. ft.
- Fully Sprinklered
- Bright, clean warehouse area with natural light throughout
- Ample free surface parking
- Close to public transit
- Easy access to Hwy. 401 and 403

170 NANTUCKET BOULEVARD SCARBOROUGH, ON



- +/- 26,550 sq. ft.
- Building infrastructure overhauled in the past 10 years
- Rare automotive plaza
- Historically very little turnover in complex
- Ideally suited for condo conversion

COMING
SOON

INDUSTRIAL CONDOS FROM 2,000 SQ. FT.



CENTRAL BRAMPTON
LOCATION



2,000 - 20,000 SQ. FT.



FLEXIBLE
INDUSTRIAL ZONING



T/L AND D/I
SHIPPING

RECENT CLIENT SUCCESS STORIES

233 Madill Avenue, **MISSISSAUGA**



LEASED

446,164 sq. ft.

Property Portfolio, **MISSISSAUGA**



SOLD

289,980 sq. ft.

40 Hereford Street, **BRAMPTON**



LEASED

283,787 sq. ft.

1850 Matheson Blvd. E, **MISSISSAUGA**



LEASED

260,578 sq. ft.

95 Bridgeland Avenue, **TORONTO**



LEASED

184,373 sq. ft.

505 Finley Avenue, **AJAX**



LEASED

116,779 sq. ft.

2330 Southfield Road, **MISSISSAUGA**



SOLD

41,817 sq. ft.

6470 Northam Drive, **MISSISSAUGA**



LEASED

40,088 sq. ft.

25-27 Coronet Road, **TORONTO**



SOLD

38,959 sq. ft.

326 Clarence Road, **BRAMPTON**



SOLD

36,200 sq. ft.

56 Bramstele Road, **BRAMPTON**



LEASED

20,997 sq. ft.

380 Millway Avenue, **VAUGHAN**



LEASED

21,000 sq. ft.

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