

## GTA 905/416 Charts: Industrial Real Estate (2006-2015)

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### 905 Area Monopolizes the GTA's New Industrial Building Market

The four 905 regions making up the 905 area of the Greater Toronto Area (GTA) continued to monopolize the new industrial building market in 2015, accounting for 98% of the 5.4 million sq. ft. of industrial space under construction at year end. The 905 area has dominated the new industrial space market for many years, 2015 marked the third straight year that year-end industrial floor space under construction in the GTA exceeded 5 million sq. ft.

Within the 905 area in 2015, Peel and Halton regions both had the most industrial space under construction (about 2 million sq. ft. each) followed by York region (1.4 million sq. ft.). Very little industrial space was under construction in Durham. The amount of new space under construction in Peel fell sharply in 2015 following four years of rapid growth due to a few large buildings that were under construction in previous years being completed and occupied in 2015. Halton and York, in contrast, recorded increased construction activity in 2015. In general, the industrial markets in both the 905 area and the city of Toronto in 2015 were robust with low or declining vacancy rates and rising asking net rents. The vacancy rate was particularly low in the city of Toronto where space options are limited due to a lack of new construction and average rents lower than in the 905 area.

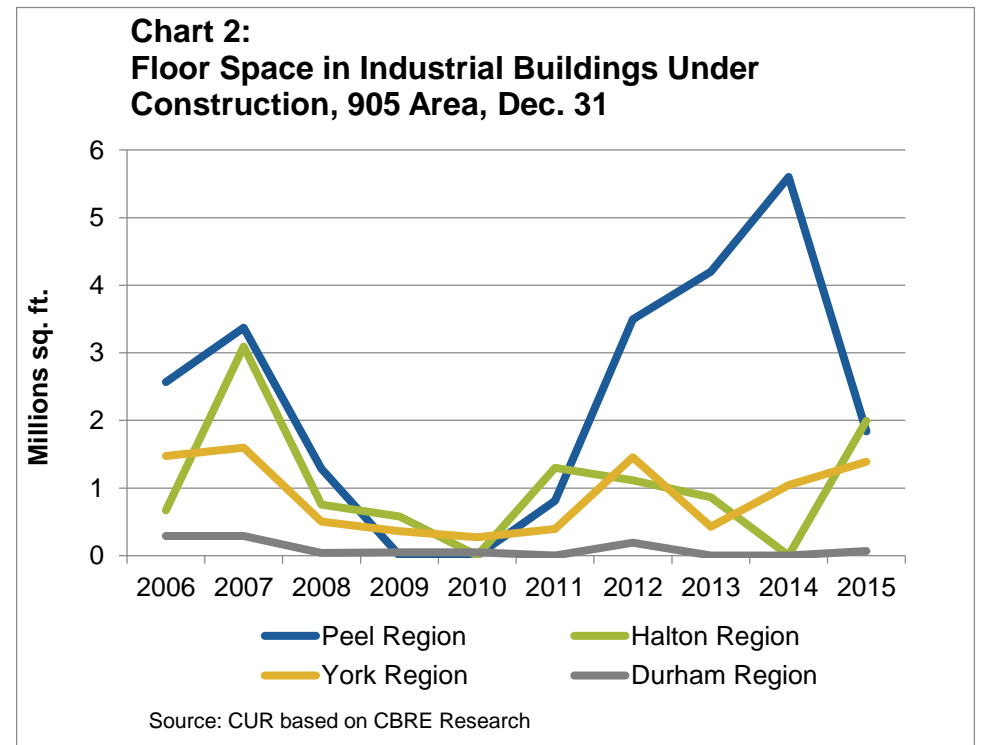
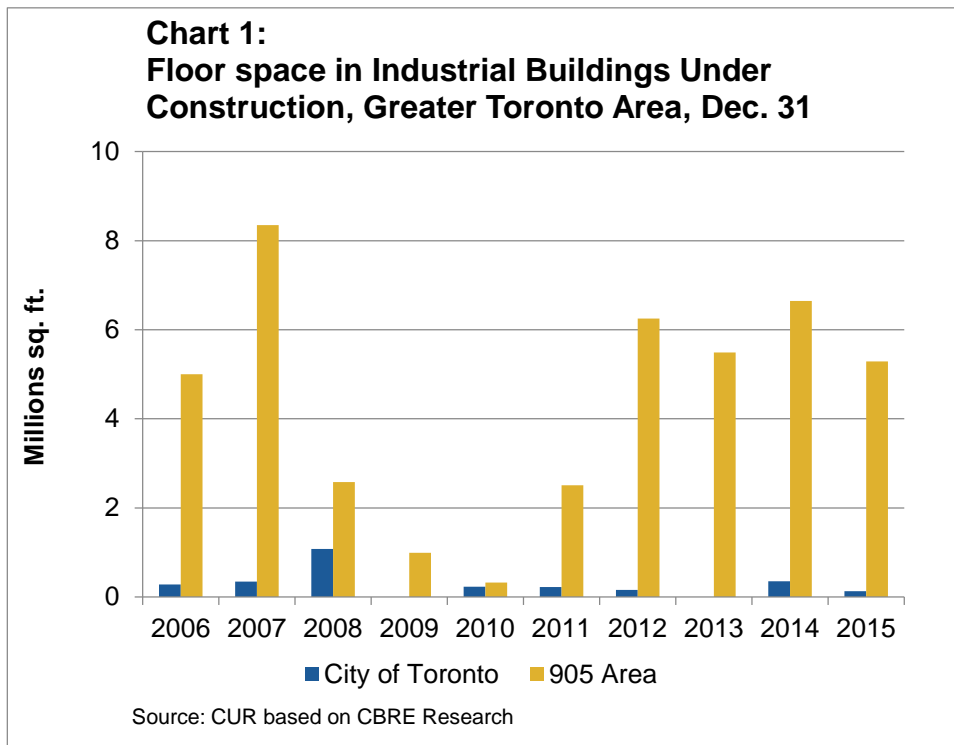
Within the 905 area, vacancy rates are below 5%, which generally is regarded as indicative of a balanced market in all four 905 regions. Asking net rents are comparable in all the regions excluding Durham where they are much lower. While vacancy rates increased in Halton and Durham in 2015, they still were relatively low.

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## 905 area monopolizes new industrial construction in the GTA

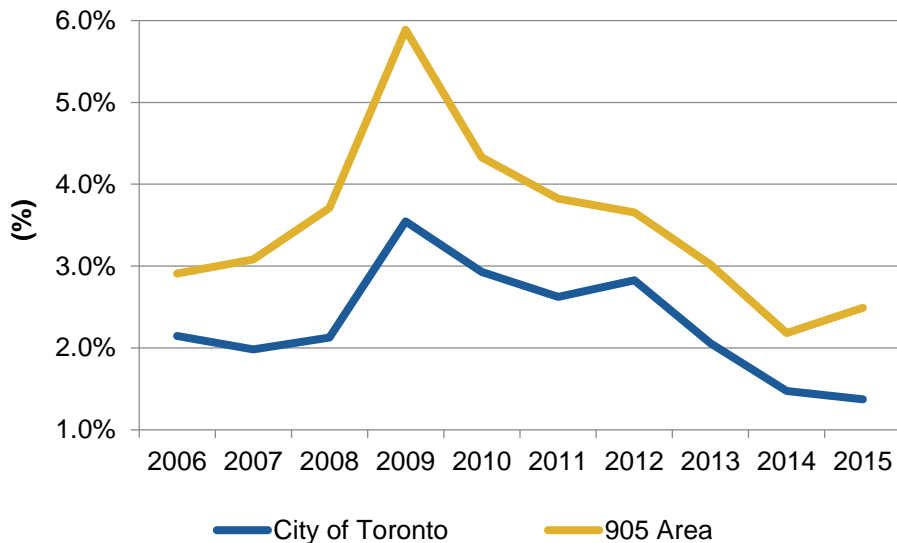
- Remarkably, 98% of the GTA's year-end industrial building space under construction totals is in the 905 regions, with Peel and Halton regions making up much of the new construction activity, each region has about 2.0 million square feet of new industrial space under construction at the end of 2015.
- Only limited amount of new industrial construction activity is in the city of Toronto due to the lack of available shovel-ready vacant industrial land.
- Durham region has seen minimal construction activity when compared to the rest of the 905 area.
- Notable industrial construction projects underway at the end of 2015 are located in Caledon (Canadian Tire – 1.5 million sq. ft.), Milton (8500 Mount Pleasant Way – 410,000 sq. ft.), and Vaughan (FedEx – 400,000 sq. ft.).



## Despite robust industrial construction in the 905 area, vacancy rates remain relatively low

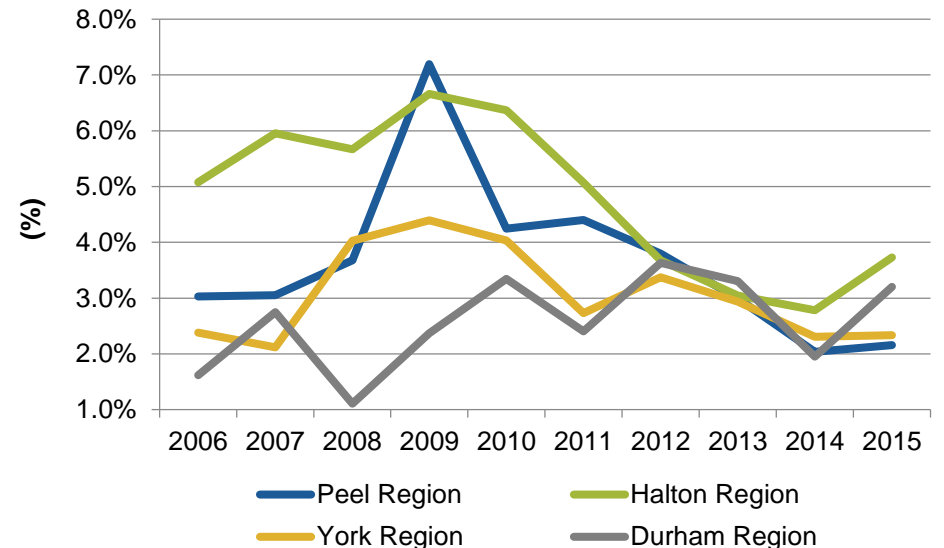
- Vacancy rates in the GTA have been trending downwards since 2009; the city of Toronto's current vacancy rate is at 1.4%, the lowest vacancy rate posted in the last 10 years.
- The 905 area saw an uptick in its vacancy rate in 2015, climbing from 2.2% in 2014 to 2.5%. However, the current vacancy rate is lower than the 10-year average of 3.6%.
- While Peel and York regions continue to witness strong demand in their respective markets, Durham and Halton regions saw an uptick in their vacancy rates in 2015. More specifically, Whitby jumped from 5.1% in 2014 to 9.0%, and Milton saw an increase from 2.6% in 2014 to 5.0%.
- The city of Toronto vacancy rates have been falling steadily since 2009, when the vacancy rate had reached a 10-year high of 3.5%.

**Chart 3:  
Vacancy Rate in Industrial Buildings,  
Greater Toronto Area, Dec. 31**



Source: CUR based on CBRE Research

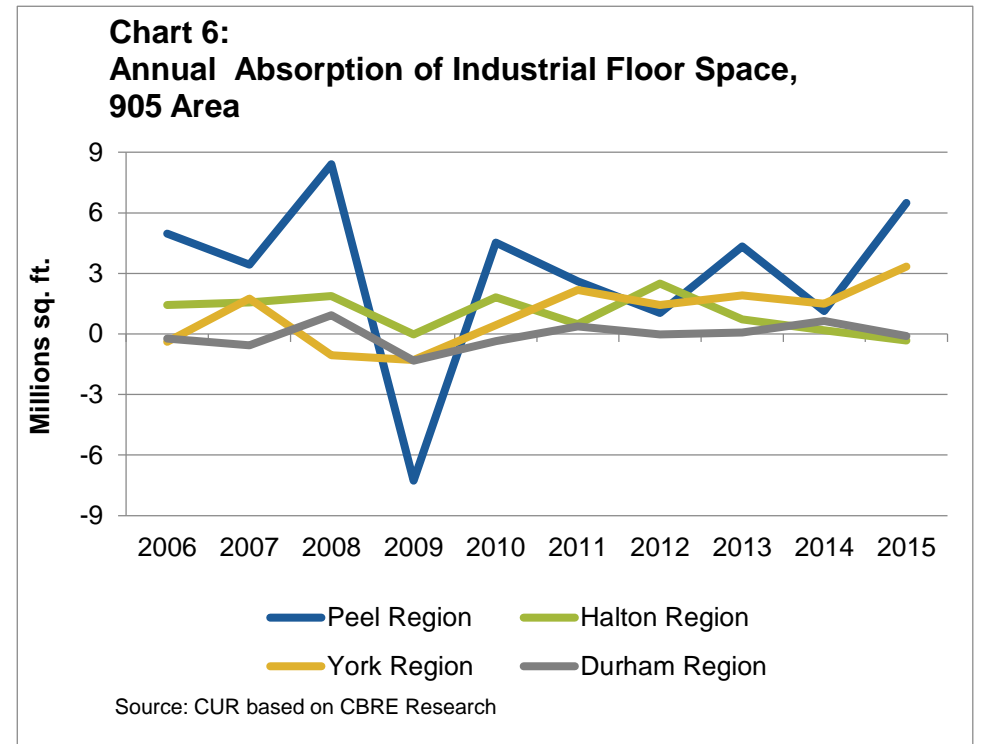
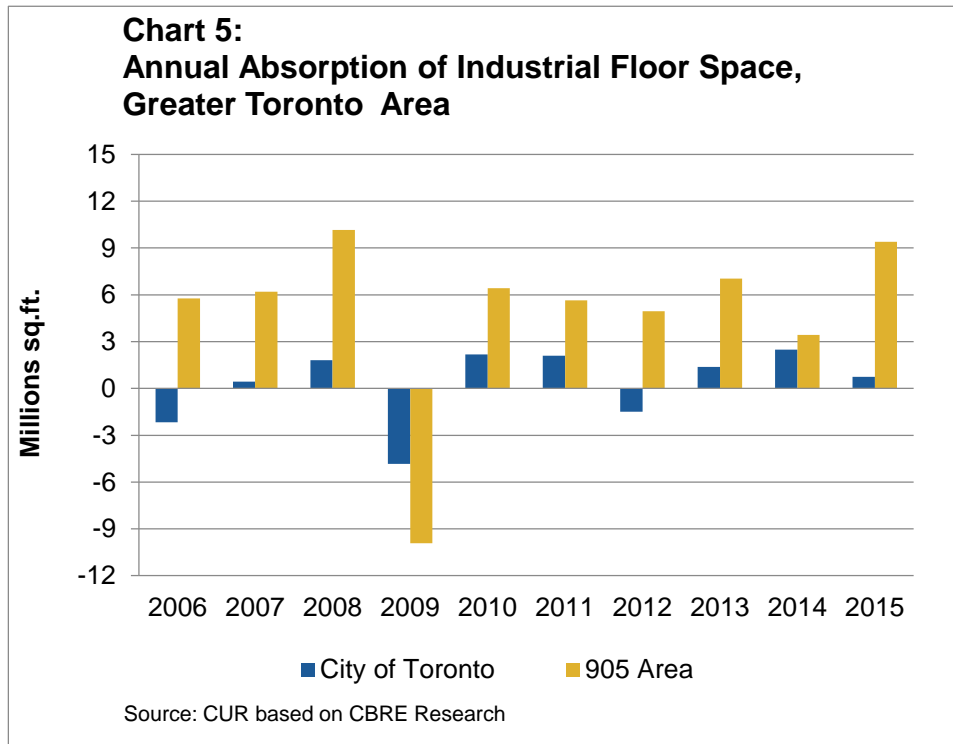
**Chart 4:  
Vacancy Rate in Industrial Buildings,  
905 Area, Dec. 31**



Source: CUR based on CBRE Research

## Absorption levels for Industrial space in 2015 nearly ties the 2008 high

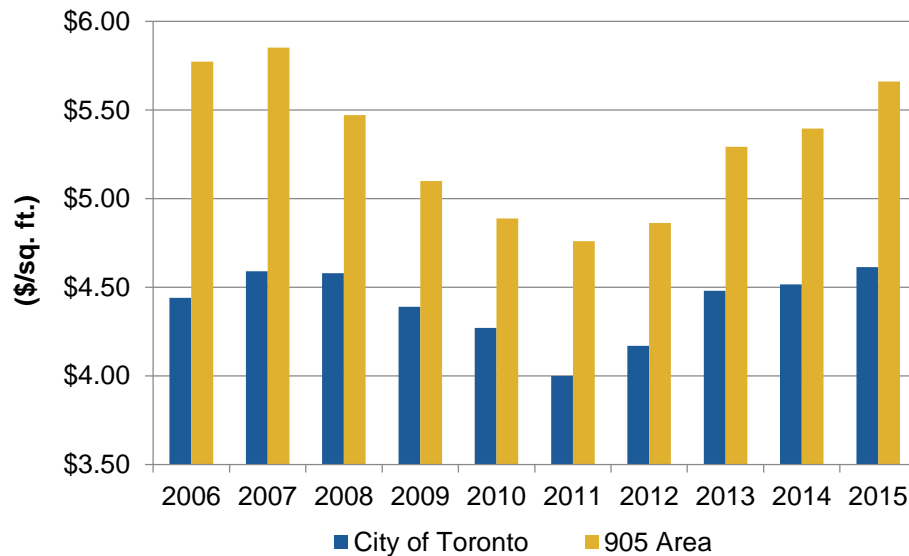
- Since 2009, annual absorption of industrial space in the 905 area has remained strong and resilient to change due to the strong demand for quality industrial space.
- The majority of the GTA's existing industrial space is located in the 905 area and therefore the majority of the absorption activity occurs in these regions. In contrast, there has not been very much absorption in the city of Toronto.
- Durham region has witnessed minimal absorption activity over the past decade with the 10-year average actually being negative.
- Peel and York regions have reached annual absorption levels totaling 9.8 million sq. ft. (6.5 million sq. ft. in Peel region and 3.3 million sq. ft. in York region) in 2015, which accounted for 97% of the GTA's 10.1 million sq. ft. absorption in the year.



## Average asking net rents continue to rise in both 905 area and the city of Toronto

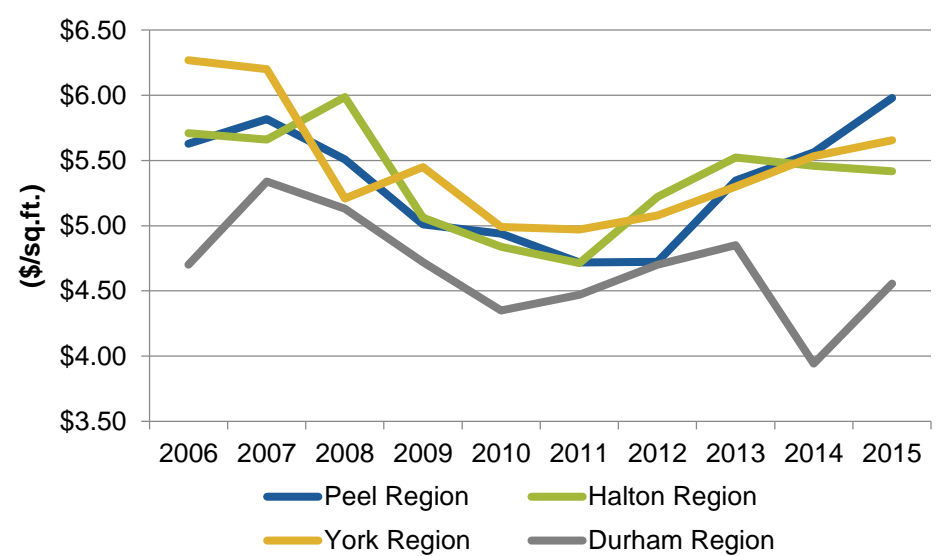
- Following the demand for quality industrial space, current large logistics and transportation users require higher clear heights to store goods that are later shipped throughout the GTA and even Southern Ontario and the States.
- Industrial spaces with clear heights greater than 28' are generally asking for rents of \$6.00/sq.ft. and are predominately found in the 905 regions, which helps to explain the rent differentiation between the four regions in the 905 area versus the city of Toronto.
- With the exception of Durham region, Peel, Halton, and York regions have witnessed an overall increase in their average asking net rents since 2011 with current rents sitting at \$5.98/sq.ft, \$5.42/sq.ft., and \$5.66/sq.ft., respectively.
- Durham region has generally seen a downward trend in its average asking net rents; however, there was an uptick in its rents rising to \$4.56/sq.ft. in 2015 from \$3.94/sq.ft. in 2014.

**Chart 7:  
Average Asking Net Rents for Industrial Space,  
Greater Toronto Area, Fourth Quarter**



Source: CUR based on CBRE Research

**Chart 8:  
Average Asking Net Rents for Industrial Space,  
905 Area, Fourth Quarter**



Source: CUR based on CBRE Research

## **Data Source and Technical Notes**

All data in this document is provided by CBRE Limited (CBRE). CBRE publishes quarterly statistics on the industrial market (buildings greater or equal to 10,000 sq. ft.) for the following areas: city of Toronto, Peel region, Durham region (Pickering, Ajax, Whitby, and Oshawa), Halton region (Oakville, Burlington, and Milton).

Annual Absorption: The sum of net absorption, which is the change in occupied square feet from one quarter to the next.

Average Asking Lease Rates: Rate determined by multiplying the asking net lease rate for each building by its available space, summing the products, then dividing by the sum of the available space with net leases for all buildings in the summary.

Year-End Under Construction refers to buildings which have begun construction as evidenced by site excavation or foundation work by the end of fourth quarter of the respective year.

Vacancy Rate is calculated by determining the total existing building area which is physically vacant or immediately available, which is then divided by the Net Rentable Area (The gross building square footage minus the elevator core, flues, pipe shafts, vertical ducts, balconies, and stairwell areas).