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Greater Toronto Area Industrial Market Report

4th Quarter 2010

**AVISON
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Intelligent
Real Estate Solutions

GTA Central

GTA East

GTA North

GTA West

Industrial Market Overview

The Greater Toronto Area (GTA) industrial market, the nation's largest with 927 million square feet (msf), continues to improve. Deal velocity, which picked up in the third quarter, spilled over into the final quarter of 2010 – an encouraging sign as we head into the new year. Tenants took advantage of abundant opportunities and a relatively soft rental market to negotiate favourable deals. Barring an unforeseen economic shock, the gains made in 2010 are expected to carry over into 2011.

The **GTA's** overall industrial availability rate declined for the fourth straight quarter, closing 2010 at 5.2%. This represents a 40 basis point (bps) decline from the third quarter of 2010 and a 100 bps improvement from the same quarter one year ago. As in the previous quarter, all four industrial districts saw a decrease in their availability rates - an indication that the market is on the right track to recovery. Unlike the previous quarter when rental rates increased across all four districts, only two experienced an increase (GTA Central and West), while two (GTA East and North) witnessed a decline, albeit marginal. Overall, the average asking net rate for industrial space in the GTA ended 2010 at \$5.63 per square foot (psf), up from \$5.50 psf and \$5.28 psf, three and 12 months prior.

The **GTA Central** industrial market remains tight as the availability rate declined another 50 bps to complete the fourth quarter at 4.2% - the lowest among the four major districts and 100 bps below the GTA average. The availability rate has steadily fallen from 6.4% in the second quarter of 2009. Despite the decline in availability, the rental market has been flat for more than a year with only nominal increases noted over the past three quarters, currently at \$4.95 psf. The bulk of the available space in this market is housed in multi-tenant buildings with a clear height of less than 18 feet.

GTA East, the smallest industrial market in the GTA with just under 60 msf, has seen its availability rate fall from a high of 7.5% at the midway point of 2010 to close out the year at 4.8% - an impressive 270 bps turnaround. Unfortunately, the rental market has not experienced the same recovery, with the GTA East average asking rental rate finishing the year at \$4.69 psf – the lowest among the four major districts. Single-tenant users seeking large block availabilities will find ample opportunities in the 50,000 to 99,999 sf range. Within GTA East, Oshawa posts the lowest availability rate at 1.6% and commands the highest average asking net rate of \$5.24 psf.

GTA North recorded another 40 bps drop in its availability rate to end 2010 at 4.4%. The availability has declined for six consecutive quarters and has plunged 200 bps from one year ago. Nevertheless, the market saw a slight drop in the average asking net rate to \$6.23 psf at year-end 2010 - still the highest among the major districts and above the GTA average of \$5.63 psf. Vaughan, comprising the largest concentration of industrial inventory within GTA North, saw its availability rate settle at 5.0% - down from 7.0% one year earlier.

The **GTA West** industrial market continues to make progress. Even though the availability rate is 130 bps above the GTA average and between 170 to 230 bps above its counterparts (GTA Central, North and East), it has trended lower in each of the last four quarters to close 2010 at 6.5%. Over the same period, asking rates have climbed approximately 8% to \$5.84 psf, currently. GTA West has the greatest number of properties offering large block opportunities in the 100,000 to 249,000 sf range in the single-tenant building category in the GTA. Milton posts the highest rent (\$6.78 psf) and Caledon the lowest availability rate (3.7%).

Data Points

5.2%

GTA industrial availability rate

25

Million sf of available industrial space in the GTA

\$5.84

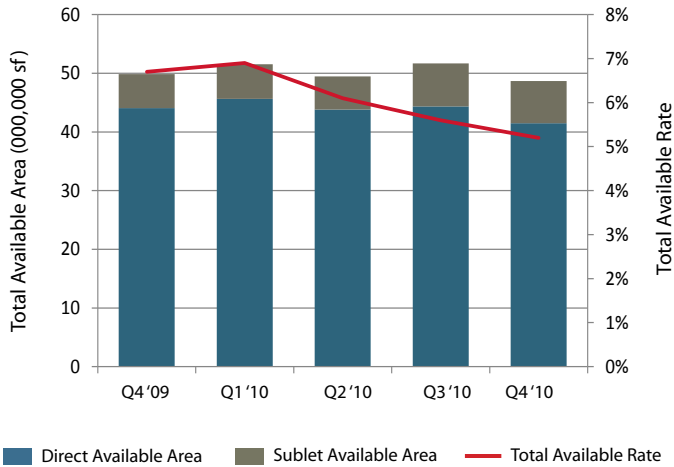
Average asking net rental rate in the GTA West

12

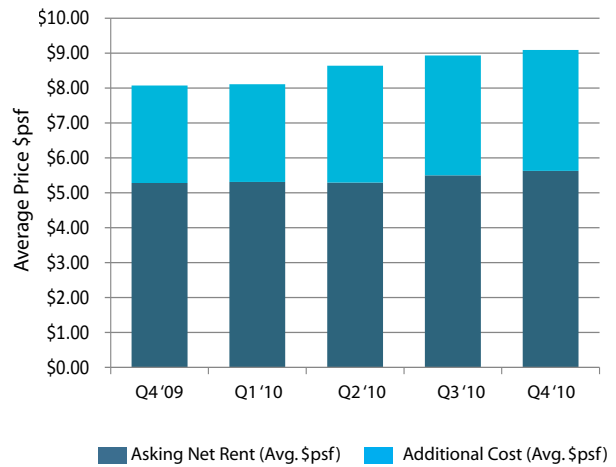
Number of markets (out of 21) that saw a drop in availability in Q4 2010

GTA Overall

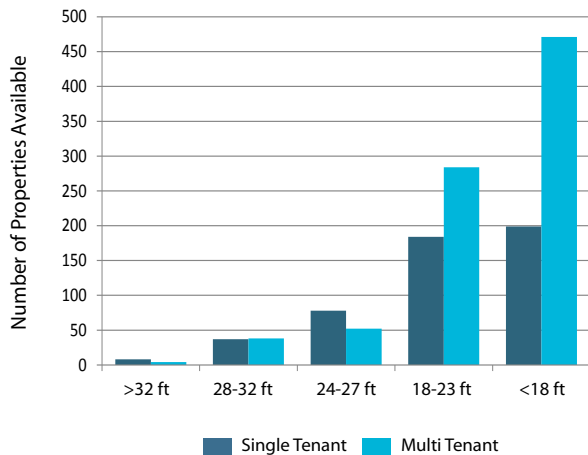
GTA - Industrial Market Trends



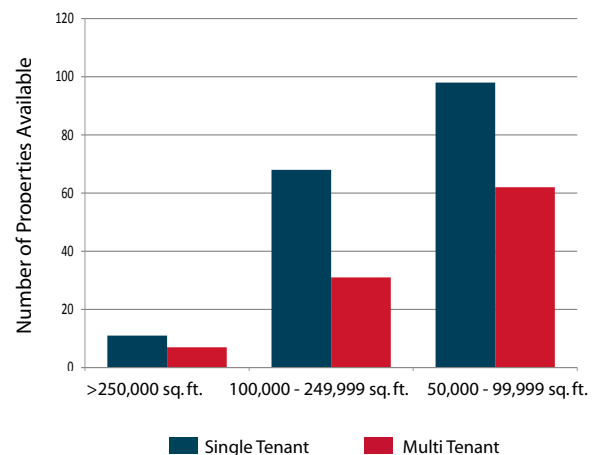
GTA - Occupancy Cost Trends



GTA - Available Space by Clear Height



GTA - Large Block Availability

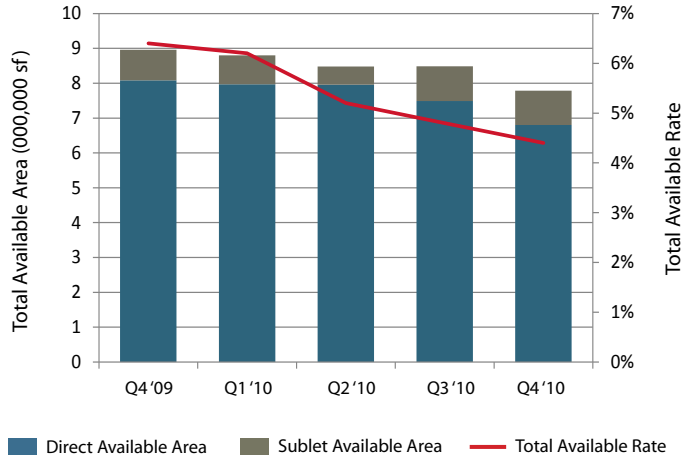


GTA MARKET SUMMARY

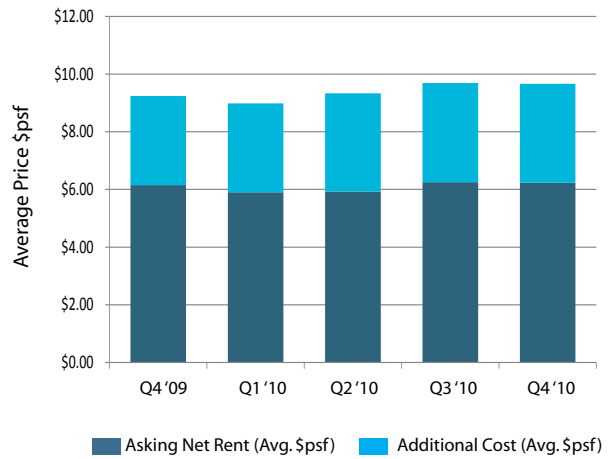
Market	Inventory (msf)	Availability Rate (%)		Asking Net Rent (\$psf)	
	Current Quarter	Current Quarter	Change from Previous Quarter	Current Quarter	Change from Previous Quarter
GTA Central	301	4.2%	↓	\$4.95	↑
GTA East	59	4.8%	↓	\$4.69	↓
GTA North	175	4.4%	↓	\$6.23	↓
GTA West	392	6.5%	↓	\$5.84	↑
GTA Total	927	5.2%	↓	\$5.63	↑

GTA North

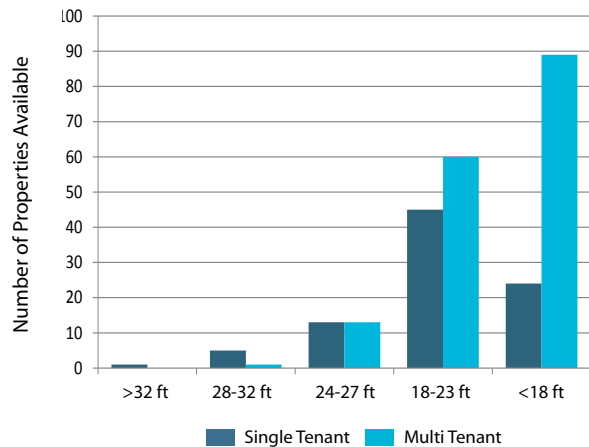
GTA North - Industrial Market Trends



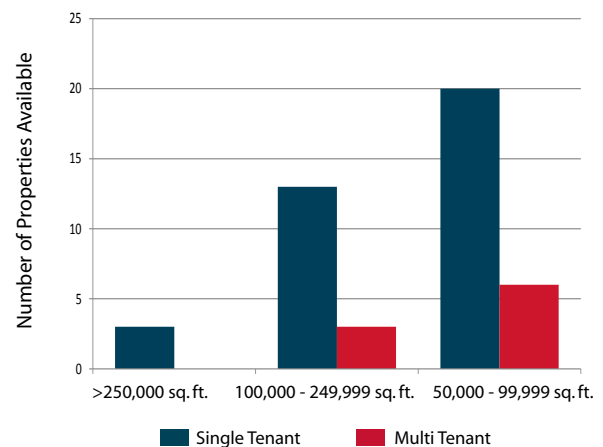
GTA North - Occupancy Cost Trends



GTA North - Available Space by Clear Height



GTA North - Large Block Availability



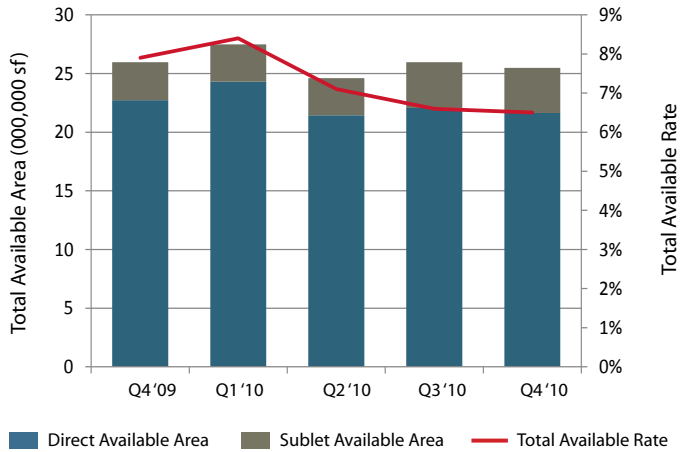
GTA NORTH - SUBMARKET SUMMARY

Market	Inventory (msf)	Availability Rate (%)		Asking Net Rent (\$psf)	
	Current Quarter	Current Quarter	Change from Previous Quarter	Current Quarter	Change from Previous Quarter
Aurora	7	6.9%	↓	\$5.36	↓
Markham	43	4.2%	↓	\$6.59	↓
Newmarket	10	1.2%	↑	\$6.75	↑
Richmond Hill	16	4.6%	↑	\$6.40	↓
Vaughan	93	5.0%	↓	\$5.98	↑
GTA North*	175	4.4%	↓	\$6.23	↓

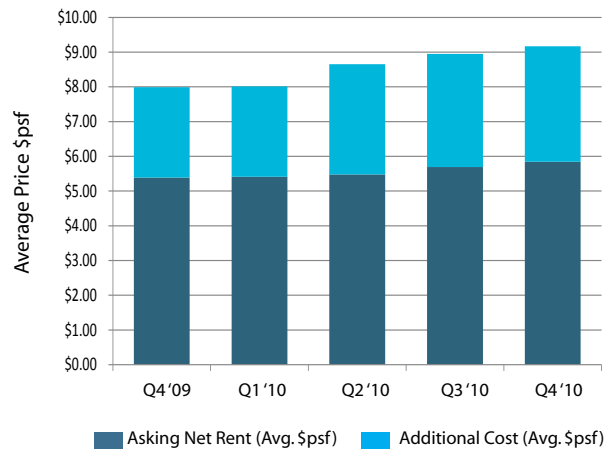
* Total figures for the GTA North include additional submarkets not listed above, ie East Gwillimbury, Georgina, King, and Whitchurch-Stouffville.

GTA West

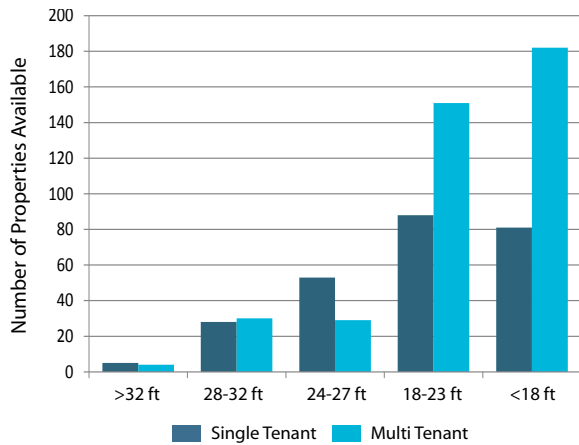
GTA West - Industrial Market Trends



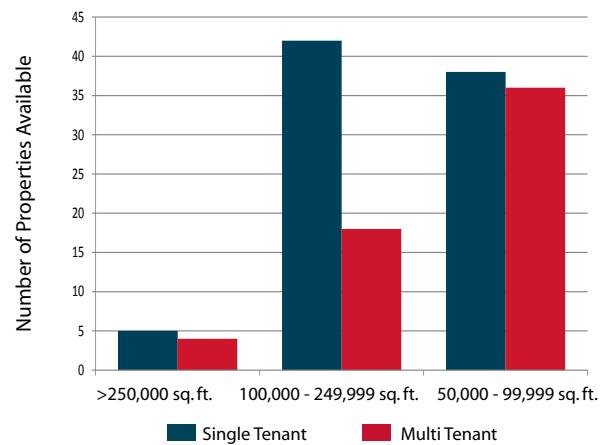
GTA West - Occupancy Cost Trends



GTA West - Available Space by Clear Height



GTA West - Large Block Availability

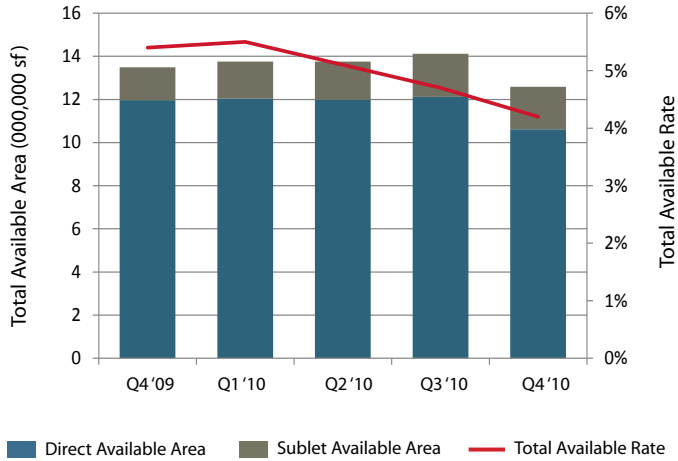


GTA WEST - SUBMARKET SUMMARY

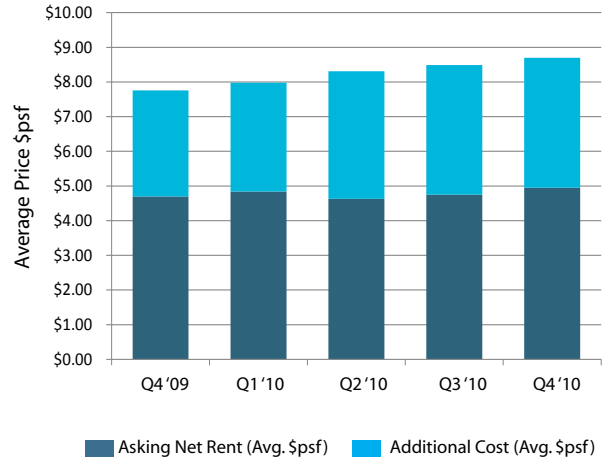
Market	Inventory (msf)		Availability Rate (%)		Asking Net Rent (\$psf)	
	Current Quarter	Change from Previous Quarter	Current Quarter	Change from Previous Quarter	Current Quarter	Change from Previous Quarter
Brampton	93	↓	6.2%	↓	\$5.35	↑
Burlington	29	↑	6.5%	↑	\$6.07	↓
Caledon	14	↓	3.7%	↓	\$5.13	↑
Halton Hills	7	↑	6.4%	↑	\$5.12	↓
Milton	18	↓	7.5%	↓	\$6.78	↑
Mississauga	198	↔	6.9%	↔	\$5.82	↑
Oakville	34	↑	5.4%	↑	\$6.44	↑
GTA West	392	↓	6.5%	↓	\$5.84	↑

GTA Central

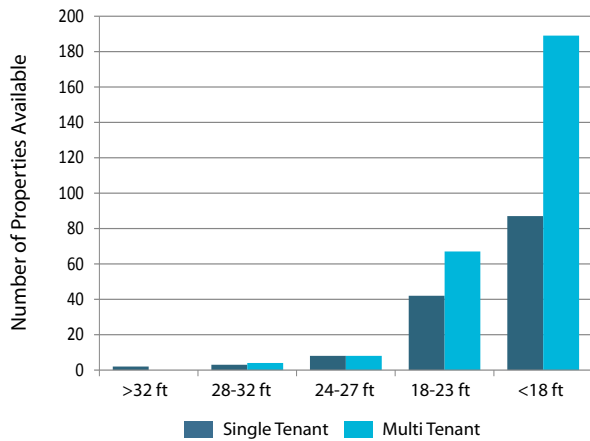
GTA Central - Industrial Market Trends



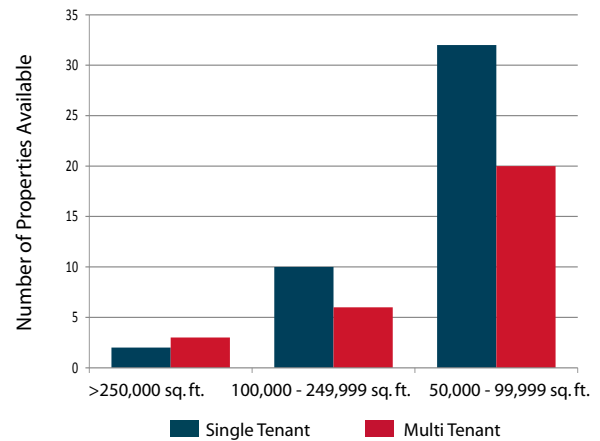
GTA Central - Occupancy Cost Trends



GTA Central - Available Space by Clear Height



GTA Central - Large Block Availability



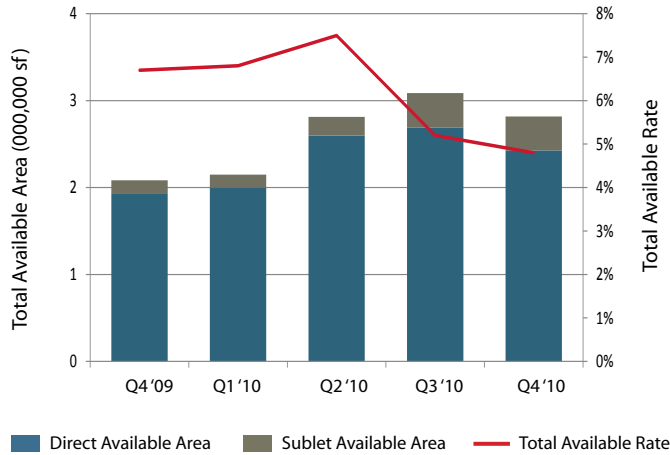
GTA CENTRAL - SUBMARKET SUMMARY

Market	Inventory (msf)	Availability Rate (%)		Asking Net Rent (\$psf)	
	Current Quarter	Current Quarter	Change from Previous Quarter	Current Quarter	Change from Previous Quarter
East York	10	1.5%	↓	n/a	↓
Etobicoke	97	6.2%	↑	\$5.00	↑
North York	71	3.0%	↓	\$5.05	↑
Scarborough	71	4.9%	↓	\$4.63	↑
Toronto	53	1.5%	↑	\$5.74	↑
GTA Central*	301	4.2%	↓	\$4.95	↑

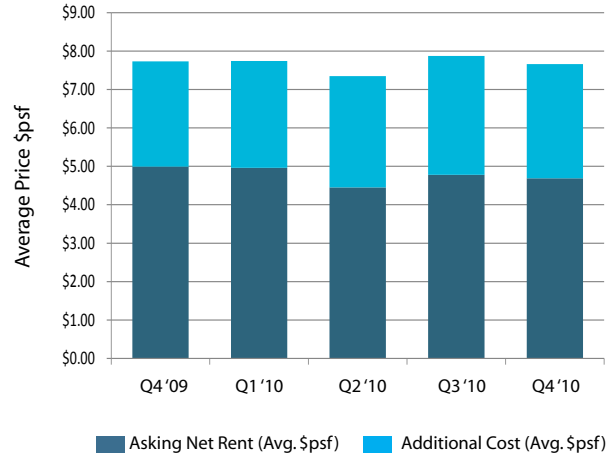
* Total figures for the GTA Central include additional submarkets not listed above, ie York.

GTA East

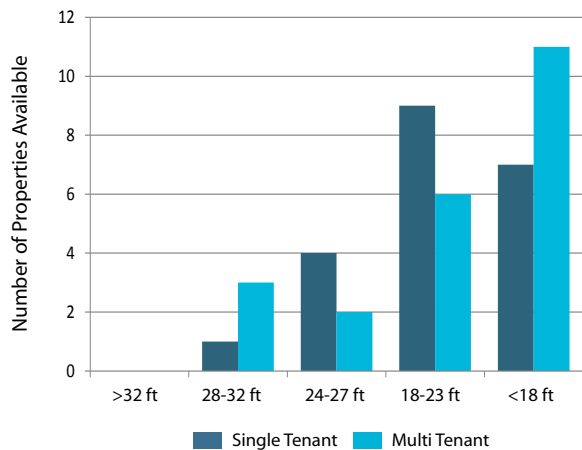
GTA East - Industrial Market Trends



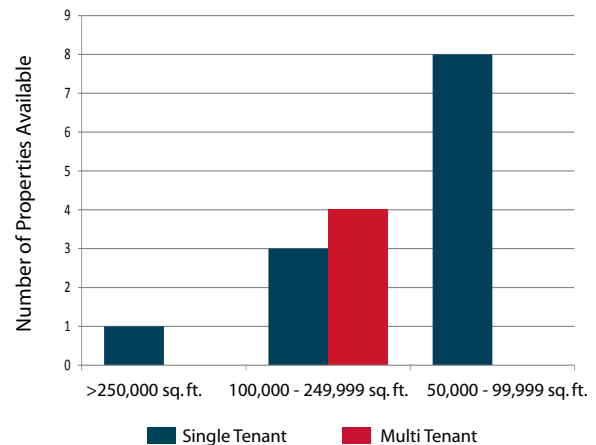
GTA East - Occupancy Cost Trends



GTA East - Available Space by Clear Height



GTA East- Large Block Availability



GTA EAST - SUBMARKET SUMMARY

Market	Inventory (msf)		Availability Rate (%)		Asking Net Rent (\$psf)	
	Current Quarter	Change from Previous Quarter	Current Quarter	Change from Previous Quarter	Current Quarter	Change from Previous Quarter
Ajax	8	↓	4.6%	↓	\$4.98	↑
Oshawa	15	↓	1.6%	↓	\$5.24	↑
Pickering	14	↑	7.4%	↑	\$4.14	↓
Whitby	12	↓	8.8%	↓	\$4.99	↑
GTA East*	59	↓	4.8%	↓	\$4.69	↓

* Total figures for the GTA East include additional submarkets not listed above, ie Brock, Clarington, Scugog, and Uxbridge.

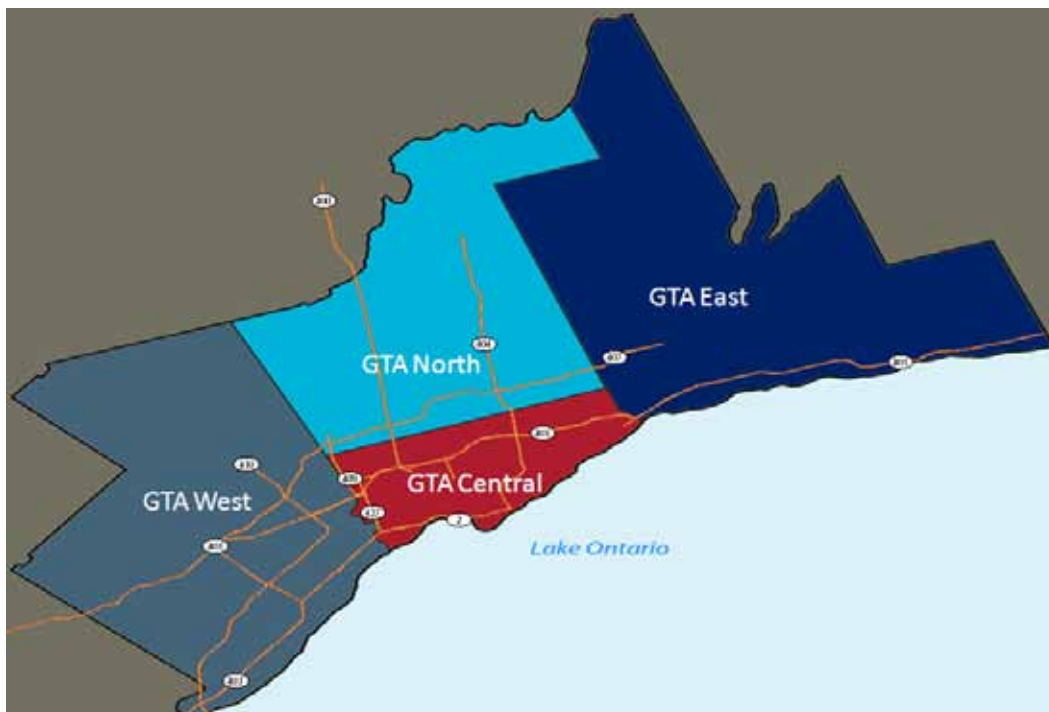
GTA MARKET - SUMMARY OF TENANT OPTIONS

Market	Number of Buildings with Available Space	Properties with More Than 250,000 sf Available	Properties with 100,000 to 249,999 sf Available	Properties with 50,000 to 100,000 sf Available	Properties with 20,000 to 50,000 sf Available	Properties with Less Than 20,000 sf Available
East York	5	0	1	0	1	3
Etobicoke	140	5	8	23	36	68
North York	101	0	2	10	28	61
Scarborough	111	1	8	15	22	65
Toronto	30	0	1	3	12	14
GTA Central	387	6	20	51	99	211
Ajax	12	0	3	6	1	2
Oshawa	10	0	3	1	1	5
Pickering	16	1	2	2	5	6
Whitby	8	0	5	1	1	1
GTA East	48	1	13	12	8	14
Aurora	8	0	3	0	2	3
Markham	73	0	2	7	20	44
Newmarket	8	0	0	1	0	7
Richmond Hill	27	0	0	4	9	14
Vaughan	103	3	12	14	20	54
GTA North	220	3	17	26	51	123
Brampton	90	2	23	20	22	23
Burlington	46	0	8	9	12	17
Caledon	13	5	2	0	5	1
Halton Hills	6	0	3	2	1	0
Milton	15	5	2	1	2	5
Mississauga	421	6	24	43	107	241
Oakville	48	2	4	5	11	26
GTA West	639	20	66	80	160	313

SIGNIFICANT INDUSTRIAL LEASE TRANSACTIONS

Address	Tenant	Size
7090 Kennedy Rd, Mississauga	Spectrum Supply Chain Solutions Inc.	214,000 sf
5300 Satellite Dr, Mississauga	Apple Express	143,000 sf
165 Orenda Rd, Brampton	Quik X	57,000 sf
835 Intermodal Dr, Brampton	CEVA Logistics	54,000 sf
2690 Plymouth Dr, Oakville	Fourmark Manufacturing	40,000 sf

GTA INDUSTRIAL MAP



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For more information on this report, please contact:

Bill Argeropoulos 416.673.4029
Vice President & Director of Research Canada

Stephanie Schappert 905.283.2321
Research Associate



Avison Young
Commercial Real Estate (Ontario) Inc., Brokerage
 30 Eglinton Avenue West, Suite 300, Mississauga, ON L5R 3E7
 T 905.712.2100 F 905.712.2937 W avisonyoung.com