Media Release

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Editors/Reporters:
· Please click on link to view and download Avison Young's Third Quarter 2015 GTA Industrial Market Report:
http://www.avisonyoung.com/fileDownloader.php?file=files/content-files/Offices/Mississauga/Research/GTA_Industrial_Report_Q3_2015.pdf

Active third quarter positions 2015 for a strong finish in GTA industrial market

Avison Young releases its Third Quarter 2015 Greater Toronto Area Industrial Report

Mississauga, ON – The Greater Toronto Area's (GTA) industrial market showed signs of continued growth and stability in the third quarter of 2015 against a backdrop of softening economic conditions, with strong performance numbers on both the leasing and sale sides.

Despite the 2.1 million square feet (msf) of new construction delivered in the third quarter, the overall GTA market experienced new lows in vacancy rates and availability, and new highs in absorption during this quarter. Much of the absorption during the third quarter was attributed to the significant number of larger-block lease transactions which, for the second consecutive quarter, continue to be led by big-box retailers, and transportation and logistics industries.

A closer look at the four submarkets – Central, East, North and West – shows that each claimed its fair share of the impressive 5 msf of absorption that occurred during the third quarter. The substantial gain in occupancy allowed the North and West markets to rebound from negative absorption experienced in the first quarter of 2015.

Oakville, in particular, witnessed its availability rate decrease to 2.3% – less than half of what it was during the third quarter of 2014. Although it is a submarket that does not typically undergo significant inventory growth each year like its Milton counterpart, Oakville benefits from having established, long-standing traditional users.

"Faced with challenging economic conditions, the recent figures clearly show the resilience of the GTA industrial market, and the appeal for not only occupiers, but also investors," comments **Bill Argeropoulos**, Principal and Practice Leader, Research (Canada) for Avison Young. "Heading into the final quarter, the industrial sector has been one of the most active asset classes this year, with the second-highest cumulative total investment dollar volume since the trough of 2009."

In terms of investment, Avison Young Principal **Ryan Hood** states: "The GTA continues to be a vendor's market, and anything that becomes available is very likely to see strong buyer activity due to affordable borrowing options and the low dollar. Supply is at an all-time low, and as the slim market continues to be flooded by buyer-prospects, prices for investment opportunities continue to surge."

Hood adds: "Areas such as Vaughan, Scarborough and Markham, for example, are lacking quality user product that is priced well – but there is still a huge demand. We're seeing high per-square-foot prices for any building less than 20,000 square feet."

The report also notes the trend of medium-sized requirements between 80,000 square feet (sf) and 150,000 sf experiencing increased leasing velocity, particularly with newer, modern product.

"A lot of the new construction for large-format users, typically those 150,000 sf or larger, is sitting in shell condition," notes Avison Young Principal **Ben Sykes**. "In the face of these large-scale developments, there seems to be a growing leasing interest from mid-bay users, which highlights the shortage of first-generation, new industrial product. Projects such as Prologis's three buildings in Milton – 8300, 8399 and 8440 Lawson Road – meet these requirements and, as a result, have been gaining a lot of interest and have already preleased 80,000 sf."

Hood concludes: "In terms of trends in facility designs, developers and owners are looking for where they have made mistakes in the past, and are aiming to build facilities that fit the features tenants are looking for as opposed to maximizing the site's potential. These features include clear heights in excess of 28', ample parking and a good shipping turning radius."

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