

### Q3 2011

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### Contacts

**Warren D'Souza**  
 Research Manager  
 +1 905 848 1215  
 warren.dsouza@dtzbarnicke.com

**DTZ Barnicke**  
 2500-401 Bay Street  
 Toronto, Ontario, Canada,  
 M5H 2Y4

**Tel:** +1 416 863 1215  
**Fax:** +1 416 863 9855

### Executive Summary

- The Greater Toronto Area (GTA) vacancy rate rose to 6.8% in Q3 2011 from 6.5% in Q2 2011. Approximately 2.5 million square feet came to market in Q3 with the majority of new space in the Central and GTA West markets. This space is expected to be absorbed over the next three to four quarters.
- Across the GTA, 89.4% of available industrial space is direct and 10.6% is for sublet.
- Industrial average net rents decreased by three cents to \$4.72 per square foot (psf). Since Q3 2010, GTA industrial asking net rent has decreased by 2.7%. Average Taxes, Maintenance and Insurance (TMI) decreased by sixteen cents to \$2.22 psf over the quarter. TMI has decreased by 6.7% over the past five quarters.
- There were two significant construction starts in Mississauga. 6275 Millcreek Drive (415,878 Sq Ft) and 2300 Hogan Drive (379,833 Sq Ft).

Market	Inventory Sq Ft	Availability Rate	Under Construction	Q3 2011 Completions	Average Net Rent (\$/psf annum)	Average TMI (\$/psf annum)	Average Sale Price (\$/psf)
<b>GTA West</b>	323,157,426	7.86%	944,053	0	\$4.95	\$2.09	\$80.05
<b>Central</b>	278,072,878	5.54%	227,287	0	\$4.17	\$2.42	\$76.20
<b>GTA North</b>	137,757,901	6.35%	377,587	0	\$4.92	\$2.18	\$96.21
<b>GTA East</b>	27,945,978	10.54%	425,000	0	\$4.41	\$2.68	\$55.49
<b>GTA Total</b>	<b>766,934,183</b>	<b>6.84%</b>	<b>1,973,927</b>	<b>0</b>	<b>\$4.72</b>	<b>\$2.22</b>	<b>\$78.09</b>

#### GTA - Significant Lease Transactions

Address	Municipality	Total Area (Sq Ft)	Leased Rate (Year 1)
210 Wicksteed Avenue	East York	175,000	\$1.43
75 Doney Crescent	Vaughan	141,658	\$3.75
550 Industrial Drive	Milton	134,535	\$3.75
5900 Finch Avenue E	Scarborough	113,845	\$4.75

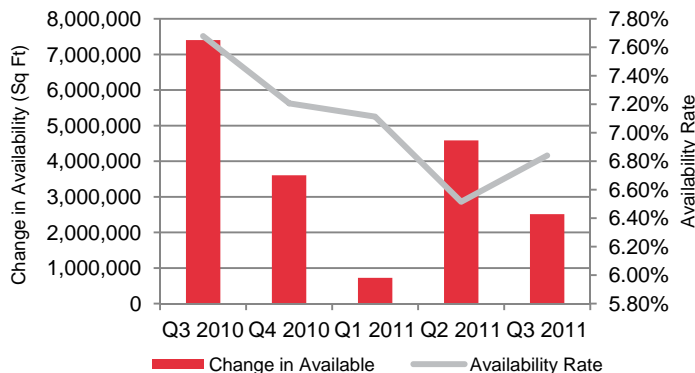
#### GTA - Significant Sale Transactions

Address	Municipality	Total Area (Sq Ft)	Sale Price
12315 Coleraine Drive	Caledon	450,000	\$43,210,000
7250 Keele Street	Vaughan	290,000	\$13,850,000
940 Thornton Road	Oshawa	108,638	\$4,400,000
1190 Birchmount Road	Scarborough	100,558	\$2,250,000

## GTA North industrial market experiences the greatest level of positive activity in Q3 2011

- Availability rates rose in the West (up 0.5%) and Central markets (up 0.5%) and dropped in the North (down 0.3%) and East (down 0.1%) markets. The GTA availability rate decreased to 6.8% in Q3 2011 from the 6.5% seen at the end of Q2 2011. This is an improvement from the 7.7% experienced in Q3 2010. On average, rates have been on a downward trend for the past two years. (Figure 1)
- Demand for industrial space was offset with over 2.5 million square feet coming to market mainly in the West and Central areas. It is expected that the surplus of space will be taken up over the next three to four quarters due to the ongoing demand primarily in the GTA West, which has experienced a 2.2 million square foot positive change in availability from 27.6 million square feet in Q3 2010 to 25.4 million square feet this quarter.

Figure 1: GTA Availability

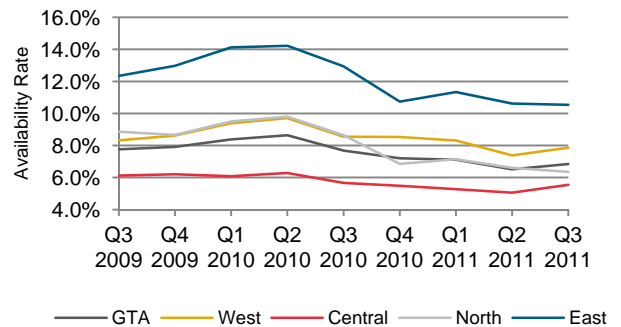


Note: A negative figure indicates a rise in available square footage since the prior quarter. A positive figure indicates a drop in available square footage since the prior quarter.

- For the third quarter in a row, the GTA saw no new industrial buildings completed. There were two significant construction starts in Mississauga this quarter that will total 796,000 square feet at 6275 Millcreek Drive and 2300 Hogan Drive.
- Development charges continue to remain high especially in the West markets where they range from \$10.81 psf in Caledon to \$23.26 psf in Oakville. Despite high development costs, total square footage under construction has increased by 45% in the GTA. Currently there are ten buildings under construction, totalling almost two million square feet.

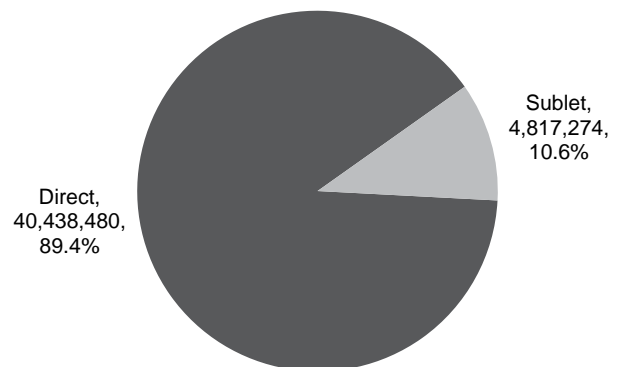
## Available sublet space continues to decrease in the GTA

Figure 2: GTA Market Availability Rate Comparison



- Over the past two years, industrial availability rates have fluctuated by +/- 1.9%. This change in vacancy can be attributed to space coming to market in existing buildings due to companies re-evaluating their space requirements. (Figure 2)
- Across the GTA, 89.4% of available industrial space is direct and 10.6% is for sublease. (Figure 3). Since Q3 2010, the amount of sublease space on the market has decreased by 4.4%.

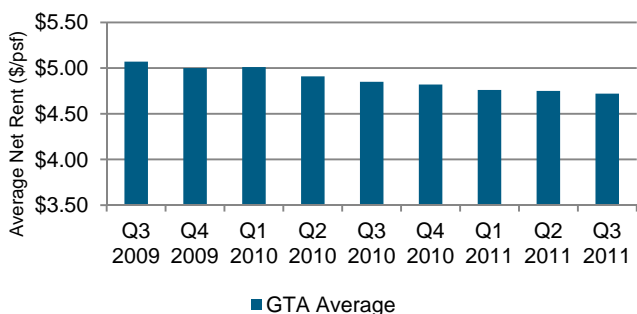
Figure 3: GTA Direct and Sublet Availability



## GTA average net rental rates experienced minimal change this quarter

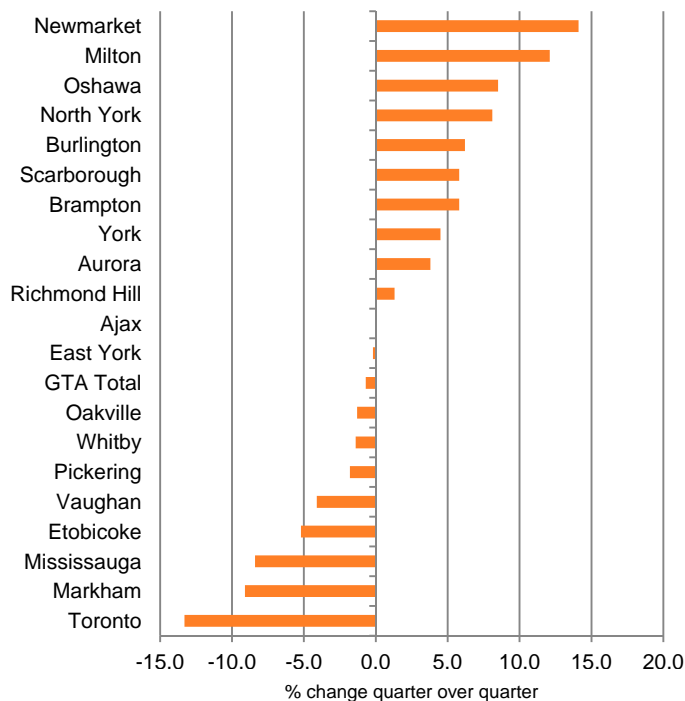
- Average rental rates decreased by 0.6% this quarter to \$4.72 from \$4.75 per square foot in Q2 2011. On average, over the past year, rents have decreased by 2.7% (Figure 4).

Figure 4: Average Asking Net Rent



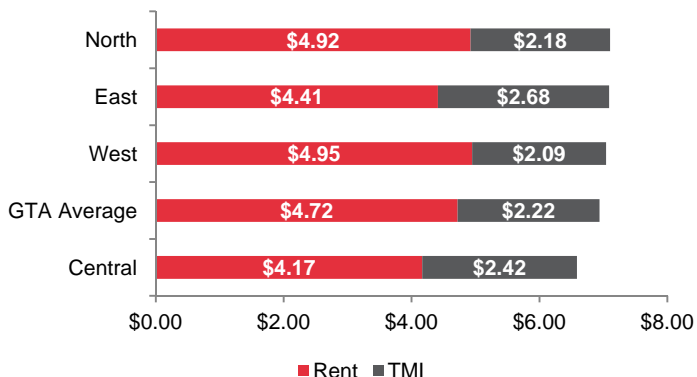
- Newmarket, Milton and Oshawa experienced the greatest increases in rent while Mississauga, Markham and Toronto saw rents fall this quarter. (Figure 5).

Figure 5: Asking Net Rent Change (Q2'11 – Q3'11)



## GTA North experienced the greatest net rental rate decrease this quarter

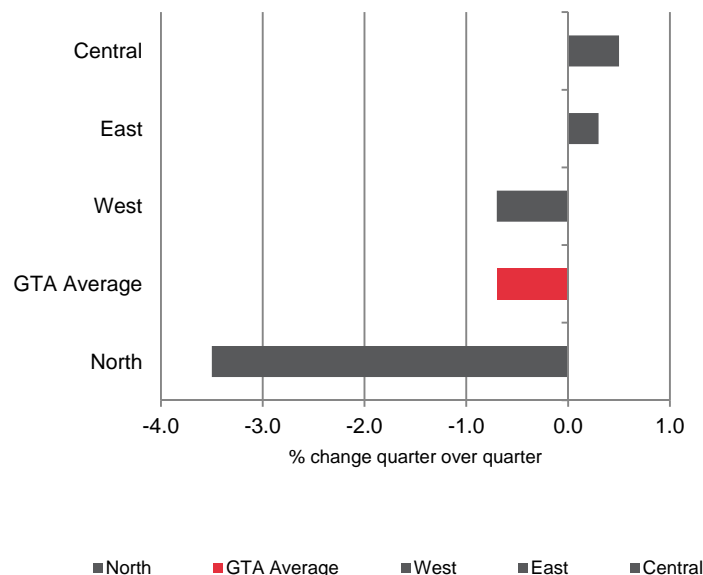
Figure 6: GTA Gross Rent Comparison



- GTA North continues to post the highest gross rent at \$7.10 per square foot. The Central market averaged \$6.59 per square foot, posting the lowest gross rent in the GTA. (Figure 6).

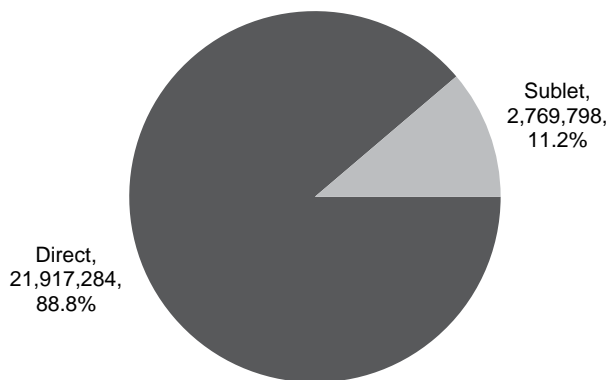
- GTA North saw the largest drop in net rental rates at 3.5% over the quarter (\$5.09 Net Q2'11 down to \$4.92 Net Q3'11). Overall GTA net rents have dropped by 0.7% over the quarter (Figure 7).

Figure 7: GTA Asking Net Rent Change (Q2'11 – Q3'11)



Municipality	Inventory Sq Ft	Availability Rate	Under Construction	Q3 2011 Completions	Average Net Rent (\$/psf annum)	Average TMI (\$/psf annum)	Average Sale Price (\$/psf)
Brampton	89,256,193	7.35%	0	0	\$4.87	\$1.84	\$82.68
Burlington	22,470,660	11.20%	75,000	0	\$5.25	\$2.64	\$76.81
Milton	14,691,269	10.01%	13,342	0	\$5.76	\$1.65	\$95.58
Mississauga	170,258,690	7.61%	855,711	0	\$4.55	\$2.21	\$77.87
Oakville	26,480,614	7.17%	0	0	\$5.77	\$2.28	\$81.36
<b>GTA West</b>	<b>323,157,426</b>	<b>7.86%</b>	<b>944,053</b>	<b>0</b>	<b>\$4.95</b>	<b>\$2.09</b>	<b>\$80.05</b>

Figure 8: GTA West Direct and Sublet Availability



- The availability rate increased by 48 basis points in Q3 2011 to finish the quarter at 7.9%. This was a result of 1.5 million square feet coming to market over the quarter. Over the past five quarters availability rates have ranged between 7.5% to 8.5%. (Figure 9). Sublease space continues to decrease in the GTA West. Sublease listings accounted for 11.2% of available space, this was a 13.6% decrease from Q2 2011. (Figure 8).

- Oakville and Burlington posted the highest gross rental rates within the GTA West, \$8.25 and \$7.89 respectively. (Figure 10). GTA West rental rates continued to remain steady and have averaged between \$6.80 to \$8.00 gross over the past five quarters.

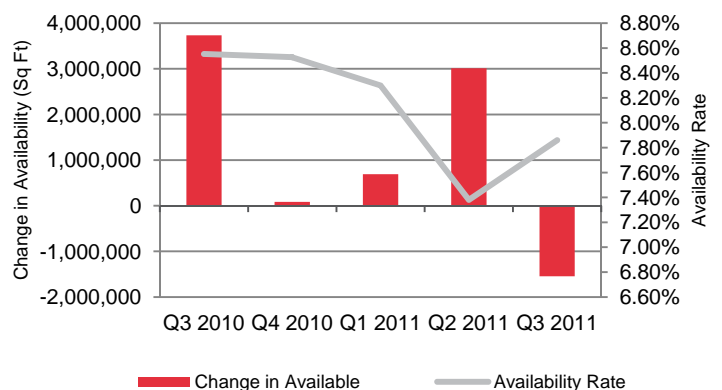
- The GTA West market accounts for almost 50.0% of all under construction buildings within the GTA. Currently there are four buildings under construction that will total 944,053 square feet once completed.

**GTA West - Significant Lease Transactions**

Address	Municipality	Total Area (Sq Ft)	Leased Rate (Year 1)
550 Industrial Drive	Milton	134,535	\$3.75
1300 South Service Road	Oakville	130,460	\$2.95
421 Mcgeachie Drive	Milton	74,602	\$4.63
2340 Winston Park Drive	Oakville	50,583	\$5.25

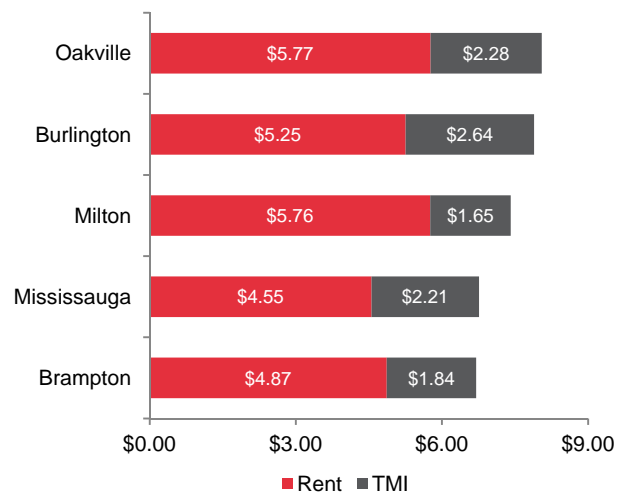
Source: DTZ Barnicke Research

Figure 9: GTA West Availability



Note: A negative figure indicates a rise in available square footage since the prior quarter. A positive figure indicates a drop in available square footage since the prior quarter.

Figure 10: GTA West Gross Rent Comparison



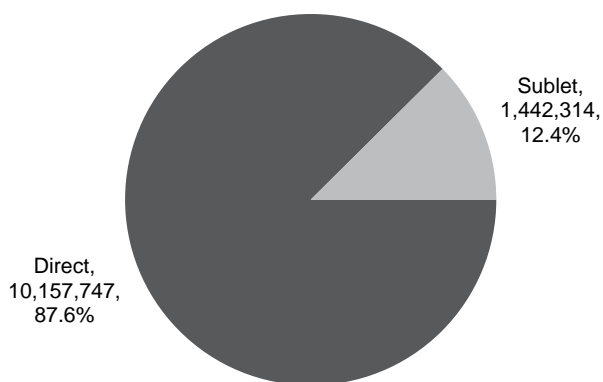
**GTA West - Significant Sale Transactions**

Address	Municipality	Total Area (Sq Ft)	Sale Price
12315 Coleraine Drive	Caledon	450,000	\$43,210,000
2400 Royal Windsor Drive	Mississauga	287,711	\$14,796,186
50 Kenview Drive	Brampton	254,500	\$20,105,000
1 Spar Drive	Brampton	250,485	\$18,000,000

Source: The Marsh Report

Municipality	Inventory Sq Ft	Availability Rate	Under Construction	Q3 2011 Completions	Average Net Rent (\$/psf annum)	Average TMI (\$/psf annum)	Average Sale Price (\$/psf)
East York	9,029,002	4.33%	0	0	\$5.19	\$2.30	\$60.85
Etobicoke	80,350,364	8.67%	0	0	\$3.92	\$1.91	\$74.60
North York	83,951,936	3.40%	227,287	0	\$4.31	\$2.69	\$78.39
Scarborough	63,855,370	6.23%	0	0	\$4.40	\$3.11	\$74.86
Toronto	34,575,669	1.35%	0	0	\$4.49	\$2.86	\$86.68
York	6,310,537	11.79%	0	0	\$3.93	\$2.85	\$82.00
<b>Central</b>	<b>278,072,878</b>	<b>5.54%</b>	<b>227,287</b>	<b>0</b>	<b>\$4.17</b>	<b>\$2.42</b>	<b>\$76.20</b>

Figure 11: Central Direct and Sublet Availability

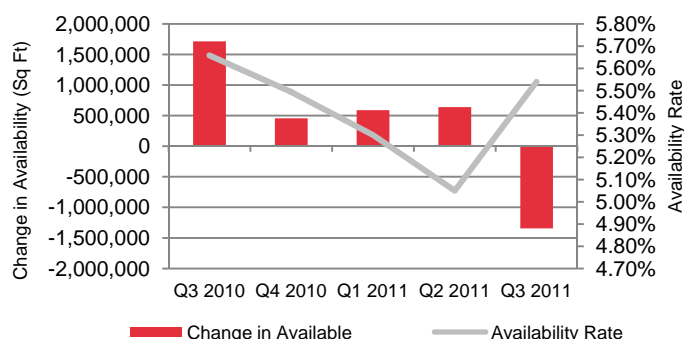


- The availability rate increased by 48 basis points in Q3 2011 to finish the quarter at 5.5% from the 5.1% seen in Q2 2011. This was the result of 1.3 million square feet coming to market over the quarter. Availability rates have ranged between 5.1% to 5.7% over the past five quarters. (Figure 12). Sublease space continued to decrease in Q3 2011. Sublease listings made up 12.4% of total available space in Q3 2011, this was a 23.3% decrease since Q2 2011. (Figure 11).

- Scarborough had the highest gross rents in Q3 2011, however net rent continues on par with the rest of the Central market. The Central market offers the lowest gross rents within the GTA. Gross rental rates have ranged between \$6.60 to \$7.50 over the past five quarters. (Figure 13).

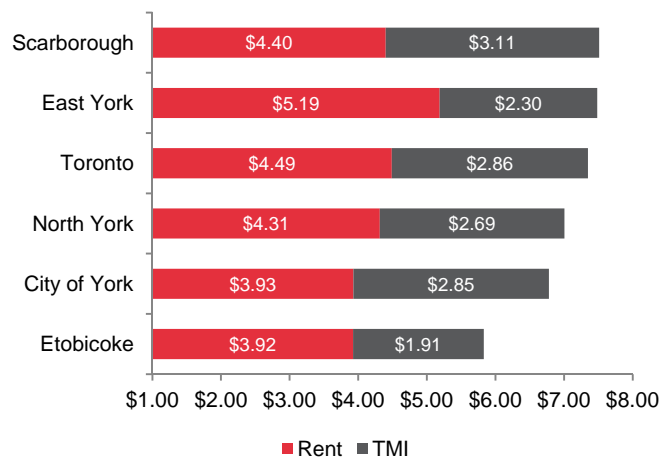
- There is one building under construction that will total over 227,000 square feet once completed.

Figure 12: Central Availability



Note: A negative figure indicates a rise in available square footage since the prior quarter. A positive figure indicates a drop in available square footage since the prior quarter.

Figure 13: Central Gross Rent Comparison



### Central - Significant Lease Transactions

Address	Municipality	Total Area (Sq Ft)	Leased Rate (Year 1)
210 Wicksteed Avenue	East York	175,000	\$1.43
5900 Finch Avenue E	Scarborough	113,845	\$4.75
27 Kodiak Crescent	North York	75,000	\$3.95
114 Rainside Road	East York	72,221	\$3.65

### Central - Significant Sale Transactions

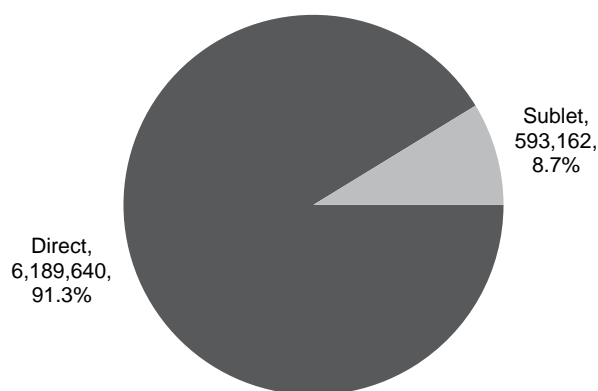
Address	Municipality	Total Area (Sq Ft)	Sale Price
1190 Birchmount Road	Scarborough	100,558	\$2,250,000
62 Rainside Drive	North York	93,000	\$5,804,000
260 New Toronto Street	Etobicoke	91,000	\$6,000,000
150 Middlefield Road	Scarborough	90,000	\$3,800,000

Source: DTZ Barnicke Research

Source: The Marsh Report

Municipality	Inventory Sq Ft	Availability Rate	Under Construction	Q3 2011 Completions	Average Net Rent (\$/psf annum)	Average TMI (\$/psf annum)	Average Sale Price (\$/psf)
Aurora	5,246,732	12.05%	43,912	0	\$4.64	\$1.99	\$110.32
Markham	34,183,093	5.65%	0	0	\$5.32	\$2.10	\$117.93
Newmarket	5,751,691	6.51%	48,389	0	\$5.91	\$2.70	\$65.75
Richmond Hill	13,686,944	6.42%	52,000	0	\$5.83	\$2.66	\$122.78
Vaughan	78,889,441	6.25%	233,286	0	\$4.57	\$2.12	\$89.33
<b>GTA North</b>	<b>137,757,901</b>	<b>6.35%</b>	<b>377,587</b>	<b>0</b>	<b>\$4.92</b>	<b>\$2.18</b>	<b>\$96.21</b>

Figure 14: GTA North Direct and Sublet Availability



- The availability rate decreased by 26 basis points in Q3 2011 to finish the quarter at 6.4% from the 6.6% seen in Q2. This resulted from a positive 354,955 square foot change in availability over the quarter. Over the past five quarters the availability rate has ranged between 6.4% to 8.6%. (Figure 15). Sublets accounted for only 8.7% of available space in Q3 2011. This was a 47.2% decrease in sublet square footage since Q2 2011. (Figure 14).

- Newmarket and Richmond Hill posted the gross rent figures in the GTA North, \$8.61 and \$8.49 respectively. This market continues to remain at the high end of the rental rate range in the GTA, however gross rents in the North experienced a 4.7% decrease since Q2 2011. The GTA North rental rates have ranged between \$7.10 to \$7.90 gross over the past five quarters. (Figure 16).

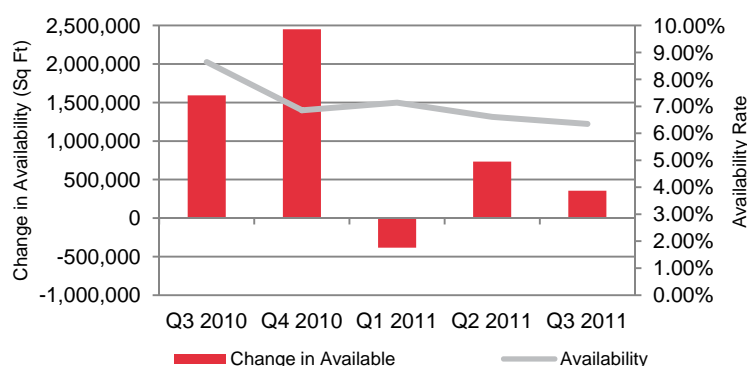
- The GTA North accounts for 19.1% of the current under construction total in the GTA. There are four buildings under construction that will total over 370,000 square feet once completed.

#### GTA North - Significant Lease Transactions

Address	Municipality	Total Area (Sq Ft)	Leased Rate (Year 1)
75 Doney Crescent	Vaughan	141,658	\$3.75
70 West Wilmot Street	Richmond Hill	98,382	\$4.95
96 Planchet Road	Vaughan	50,000	\$4.50
311 Bowes Road	Vaughan	39,215	\$3.10

Source: DTZ Barnicke Research

Figure 15: GTA North Availability



Note: A negative figure indicates a rise in available square footage since the prior quarter. A positive figure indicates a drop in available square footage since the prior quarter.

Figure 16: GTA North Gross Rent Comparison



#### GTA North - Significant Sale Transactions

Address	Municipality	Total Area (Sq Ft)	Sale Price
7250 Keele Street	Vaughan	290,000	\$13,850,000
81 Zenway Boulevard	Vaughan	84,840	\$12,774,398
471 Chrislea Road	Vaughan	75,000	\$7,100,000
101 Regalcrest Court	Vaughan	47,415	\$4,675,000

Source: The Marsh Report

Municipality	Inventory Sq Ft	Availability Rate	Under Construction	Q3 2011 Completions	Average Net Rent (\$/psf annum)	Average TMI (\$/psf annum)	Average Sale Price (\$/psf)
Ajax	7,218,724	6.30%	425,000	0	\$4.79	\$2.78	\$63.17
Oshawa	3,914,722	12.08%	0	0	\$5.37	\$0.00	\$19.06
Pickering	8,722,668	11.18%	0	0	\$3.61	\$2.64	\$65.56
Whitby	8,089,864	12.90%	0	0	\$4.89	\$2.62	\$74.74
<b>GTA East</b>	<b>27,945,978</b>	<b>10.54%</b>	<b>425,000</b>	<b>0</b>	<b>\$4.41</b>	<b>\$2.68</b>	<b>\$55.49</b>

Figure 17: GTA East Direct and Sublet Availability

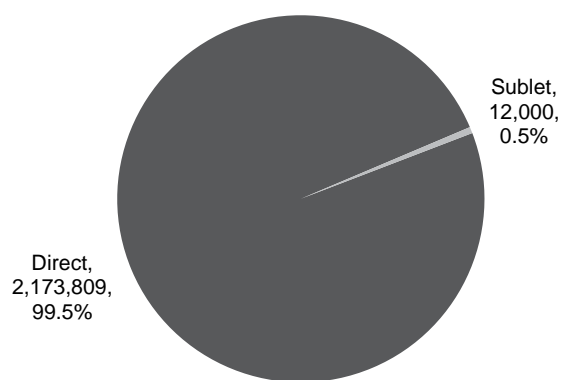
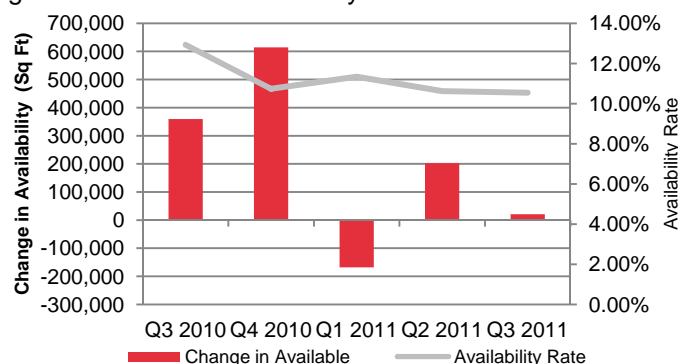


Figure 18: GTA East Availability



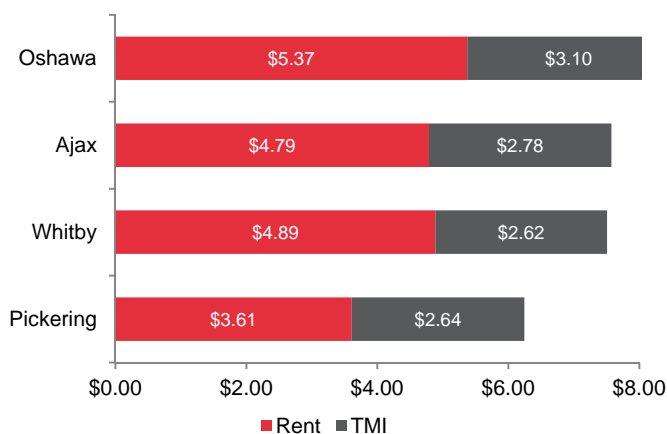
Note: A negative figure indicates a rise in available square footage since the prior quarter. A positive figure indicates a drop in available square footage since the prior quarter.

- The GTA East availability rate decreased by 7 basis points in Q3 2011 to 10.5% from the 10.6% seen in Q2 2011. This was a result of a 20,614 square foot drop in available space over the quarter. Availability rates have ranged between 10.5% to 12.9% over the past five quarters. (Figure 18). Sublease space continues to be in short supply, only accounting for 0.5% of the overall availability. (Figure 17).

- Oshawa demanded the highest gross rents in Q3 2011. (Figure 19). Rental rates remained steady and have ranged from \$6.40 to \$7.10 gross over the past five quarters.

- The GTA East has one building under construction totalling 425,000 square feet, this totals 21.5% of all under construction projects in the GTA.

Figure 19: GTA East Gross Rent Comparison



### GTA East - Significant Lease Transactions

Address	Municipality	Total Area (Sq Ft)	Leased Rate (Year 1)
651 Harwood Avenue N	Ajax	45,160	\$4.70

Source: DTZ Barnicke Research

### GTA East - Significant Sale Transactions

Address	Municipality	Total Area (Sq Ft)	Sale Price
940 Thornton Road	Oshawa	108,638	\$4,400,000
1080 Squires Beach Road	Pickering	45,809	\$2,445,000

Source: The Marsh Report

Municipality / Market	Inventory Sq Ft	Availability Rate	Under Construction	Q3 2011 Completions	Average Net Rent (\$/psf annum)	Average TMI (\$/psf annum)	Average Sale Price (\$/psf)
Brampton	89,256,193	7.35%	0	0	\$4.87	\$1.84	\$82.68
Burlington	22,470,660	11.20%	75,000	0	\$5.25	\$2.64	\$76.81
Milton	14,691,269	10.01%	13,342	0	\$5.76	\$1.65	\$95.58
Mississauga	170,258,690	7.61%	855,711	0	\$4.55	\$2.21	\$77.87
Oakville	26,480,614	7.17%	0	0	\$5.77	\$2.28	\$81.36
<b>GTA West</b>	<b>323,157,426</b>	<b>7.86%</b>	<b>944,053</b>	<b>0</b>	<b>\$4.95</b>	<b>\$2.09</b>	<b>\$80.05</b>
East York	9,029,002	4.33%	0	0	\$5.19	\$2.30	\$60.85
Etobicoke	80,350,364	8.67%	0	0	\$3.92	\$1.91	\$74.60
North York	83,951,936	3.40%	227,287	0	\$4.31	\$2.69	\$78.39
Scarborough	63,855,370	6.23%	0	0	\$4.40	\$3.11	\$74.86
Toronto	34,575,669	1.35%	0	0	\$4.49	\$2.86	\$86.68
York	6,310,537	11.79%	0	0	\$3.93	\$2.85	\$82.00
<b>Central</b>	<b>278,072,878</b>	<b>5.54%</b>	<b>227,287</b>	<b>0</b>	<b>\$4.17</b>	<b>\$2.42</b>	<b>\$76.20</b>
Aurora	5,246,732	12.05%	43,912	0	\$4.64	\$1.99	\$110.32
Markham	34,183,093	5.65%	0	0	\$5.32	\$2.10	\$117.93
Newmarket	5,751,691	6.51%	48,389	0	\$5.91	\$2.70	\$65.75
Richmond Hill	13,686,944	6.42%	52,000	0	\$5.83	\$2.66	\$122.78
Vaughan	78,889,441	6.25%	233,286	0	\$4.57	\$2.12	\$89.33
<b>GTA North</b>	<b>137,757,901</b>	<b>6.35%</b>	<b>377,587</b>	<b>0</b>	<b>\$4.92</b>	<b>\$2.18</b>	<b>\$96.21</b>
Ajax	7,218,724	6.30%	425,000	0	\$4.79	\$2.78	\$63.17
Oshawa	3,914,722	12.08%	0	0	\$5.37	\$3.10	\$19.06
Pickering	8,722,668	11.18%	0	0	\$3.61	\$2.64	\$65.56
Whitby	8,089,864	12.90%	0	0	\$4.89	\$2.62	\$74.74
<b>GTA East</b>	<b>27,945,978</b>	<b>10.54%</b>	<b>425,000</b>	<b>0</b>	<b>\$4.41</b>	<b>\$2.68</b>	<b>\$55.49</b>
<b>GTA Total</b>	<b>766,934,183</b>	<b>6.84%</b>	<b>1,973,927</b>	<b>0</b>	<b>\$4.72</b>	<b>\$2.22</b>	<b>\$78.09</b>

Source: DTZ Barnicke Research

## Report Definitions

<b>Availability:</b>	Marketed space that may or may not be vacant.
<b>Availability rate:</b>	Industrial space currently available as a percentage of inventory.
<b>Change in availability:</b>	A negative figure indicates a rise in available square footage since the prior quarter. A positive figure indicates a drop in available square footage since the prior quarter.
<b>Floor space:</b>	Floor area in sq ft adopted throughout is gross internal area.
<b>Inventory:</b>	Total floor space per building measured in square feet.
<b>Speculative development:</b>	A newly developed or comprehensively refurbished building undertaken without the benefit of a secured tenant.
<b>Development start:</b>	A development in which work has started on the main contract. This usually excludes demolition and site clearance contracts.
<b>Development completion:</b>	A development in which the main contract has been completed, whether this be to shell and core or developer's finish.
<b>Active demand:</b>	Named entities with appointed agents and a declared requirement for industrial accommodation which it wishes to satisfy within the foreseeable future
<b>Under offer:</b>	Units which a potential tenant has agreed in principle to acquire, subject to negotiation.
<b>Net rent:</b>	The rent reported being paid, which may not take account of additional rent or concessions such as rent-free periods, or leasehold improvements.
<b>Taxes, Maintenance and Insurance (TMI):</b>	The amount owed by a commercial tenant in addition to base rent that represents the proportionate share of operating costs as defined within the lease document. In most cases rent is made up of operating costs, realty taxes and utilities.

**DTZ Barnicke National Offices****Canadian Head Office**

Toronto, Ontario +1 416 863 1215

**British Columbia**

Victoria +1 250 382 3400

Nanaimo +1 250 753 5757

Vancouver +1 604 684 7117

Kelowna +1 250 808 6877

**Alberta**

Calgary +1 403 508 1215

Edmonton +1 780 421 1488

**Saskatchewan**

Regina +1 306 777 0678

**Manitoba**

Winnipeg +1 204 928 5000

**Western Ontario**

London/Windsor/Sarnia +1 519 438 5588

Waterloo Wellington +1 519 746 6300

**Central Ontario**

Niagara Falls +1 905 354 7413

Mississauga +1 905 848 1215

Richmond Hill +1 416 449 1710

**Eastern Ontario**

Kingston +1 613 542 2724

Ottawa +1 613 232 1215

**Québec**

Montréal +1 514 868 1215

**Atlantic Canada**

Halifax +1 902 429 9249

**DTZ Barnicke Limited**2500 – 401 Bay Street,  
Toronto, Ontario, Canada, M5H 2Y4

Tel: +1 416 863 1215

Fax: +1 416 863 9855



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