

Q4 2011

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Executive Summary

- The Greater Toronto Area (GTA) vacancy rate declined slightly to 6.76% in Q4 2011 from 6.84% in Q3 2011. Approximately 680,000 million square feet were taken up in Q4 with the majority of positive absorption seen in the North and East markets.
- Across the GTA, 88.50% of available industrial space is direct and 11.50% is for sublet.
- Industrial average net rents increased by eleven cents to \$4.83 per square foot (psf). Since Q3 2011, GTA industrial asking net rent has increased by only 0.21%. Average Taxes, Maintenance and Insurance (TMI) decreased by three cents to \$2.19 psf over the quarter.
- One building was completed over the quarter at 2795 Brighton Road, Oakville totalling 47,855 square feet.

Market	Inventory Sq Ft	Availability Rate	Under Construction	Q4 2011 Completions	Average Net Rent (\$/psf annum)	Average TMI (\$/psf annum)	Average Sale Price (\$/psf)
GTA West	323,205,281	8.23%	944,053	47,855	\$4.99	\$2.07	\$82.78
Central	278,072,878	5.49%	227,287	0	\$4.34	\$2.34	\$79.91
GTA North	137,757,901	5.34%	377,587	0	\$5.23	\$2.32	\$102.99
GTA East	27,945,978	9.52%	425,000	0	\$4.39	\$2.39	\$57.82
GTA Total	766,982,038	6.76%	1,973,927	47,855	\$4.83	\$2.19	\$81.79

GTA - Significant Lease Transactions

Address	Municipality	Total Area (Sq Ft)	Leased Rate (Year 1)
7380 Bren Road	Mississauga	242,778	\$5.00
200 Montecorte Street E	Whitby	178,355	\$4.75
8030 Esquesing Line	Milton	159,380	\$4.25
1771 Aimco Boulevard	Mississauga	94,875	\$4.50

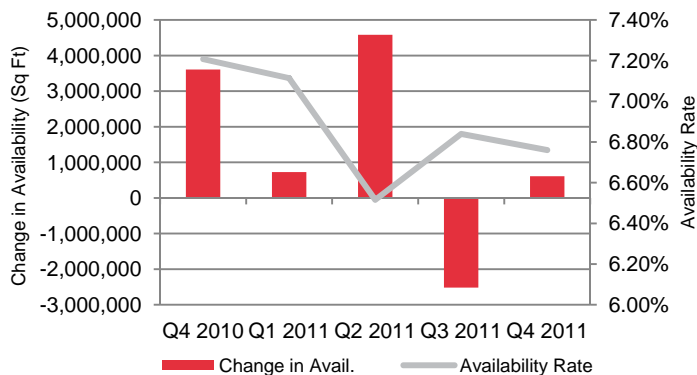
GTA - Significant Sale Transactions

Address	Municipality	Total Area (Sq Ft)	Sale Price
6500 Mississauga Road	Mississauga	805,000	\$44,000,000
144 & 155 First Avenue	Oshawa	411,000	\$3,500,000
10 Sun Pac Boulevard	Brampton	350,000	\$20,000,000
8301 Keele Street	Vaughan	275,000	\$8,000,000

GTA North industrial market experiences the greatest level of positive activity in Q4 2011

- Availability rates rose in the West (up 0.37%) and dropped in the Central (down 0.05%), North (down 1.01%) and East (down 1.02%) markets. The GTA availability rate decreased to 6.76% in Q4 2011 from the 6.84% seen at the end of Q3 2011. This is an improvement from the 7.21% experienced in Q4 2010. On average, rates have been on a downward trend for the past two years. (Figure 1)
- Demand for industrial space resulted in a positive absorption of 608,073 square feet over the quarter mainly in the North and East areas. The West experienced negative absorption in Q4 2011 with over 1.2 million square feet coming to market. It is expected however that the ongoing demand within this market will absorb the space in the coming year.

Figure 1: GTA Availability

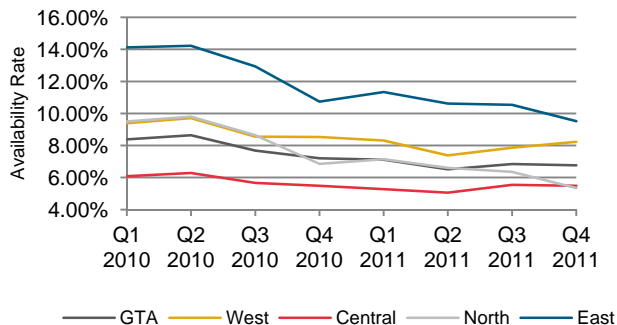


Note: A negative figure indicates a rise in available square footage since the prior quarter. A positive figure indicates a drop in available square footage since the prior quarter.

- One building was completed at 2795 Brighton Road, Oakville, adding 47,855 square feet to the inventory.
- 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

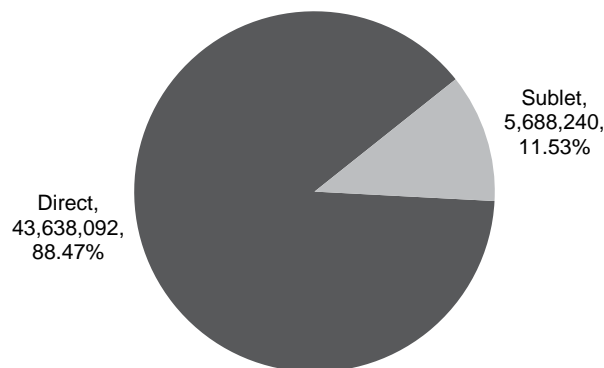
Figure 2: GTA Market Availability Rate Comparison



- Ongoing demand continues to result in declining availability rates. Quality space is hard to come by in some markets, this is compounded by the lack of new construction. If demand continues, expect to see developers respond by building speculative facilities in the 250,000 square foot plus range in the coming year, to derive feasible returns on their investment. (Figure 2)

- Across the GTA, 88.47% of available industrial space is direct and 11.53% is for sublease. (Figure 3). Since Q4 2010, the amount of sublease space on the market has decreased by 12.12%.

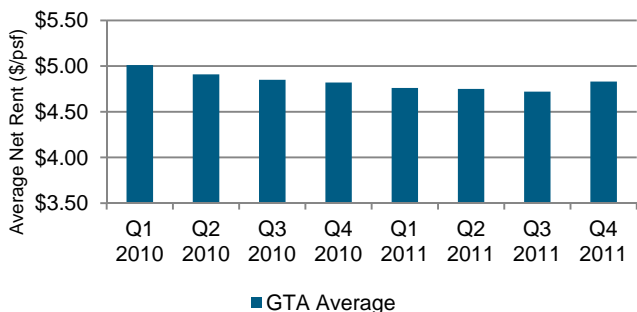
Figure 3: GTA Direct and Sublet Availability



GTA average net rental rates increased slightly this quarter

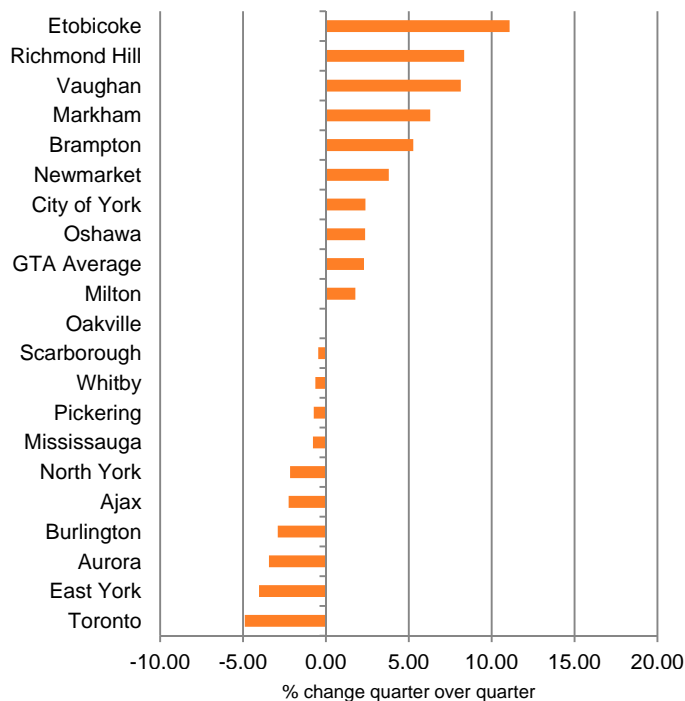
- Weighted average asking net rent increased by 2.30% this quarter to \$4.83 from \$4.72 per square foot in Q3 2011. On average, over the past year, rents have decreased by 0.2% (Figure 4).

Figure 4: Average Asking Net Rent



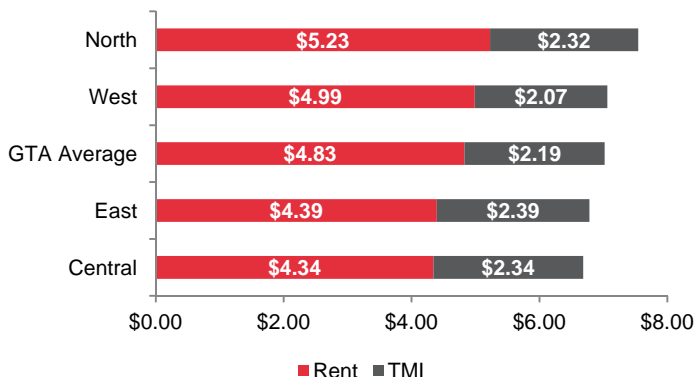
- Etobicoke, Richmond Hill and Vaughan experienced the greatest increases in rent while Toronto, East York and Aurora saw rents fall this quarter. (Figure 5).

Figure 5: Asking Net Rent Change (Q3'11 – Q4'11)



GTA North experienced the largest increase in net rental rates within the GTA this quarter

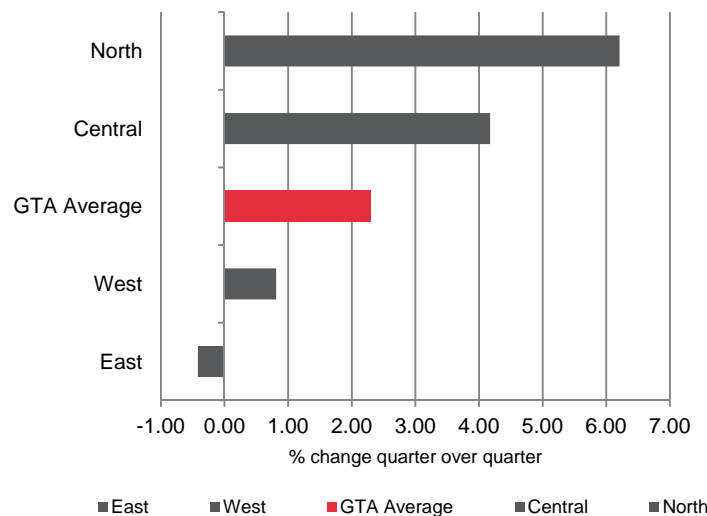
Figure 6: GTA Gross Rent Comparison



- GTA North continues to post the highest gross rent at \$7.54 per square foot. The Central market remained unchanged averaging \$6.59 per square foot, posting the lowest gross rent in the GTA. (Figure 6).

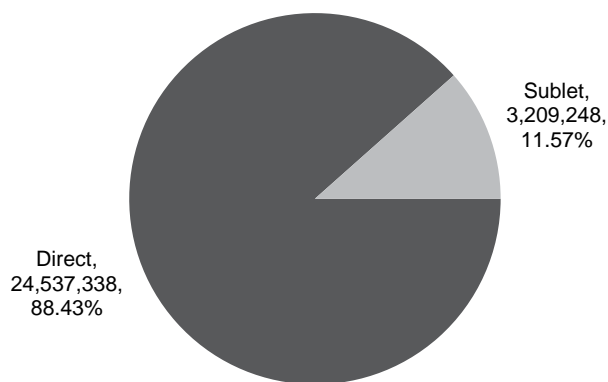
- GTA North saw a 6.21% rise in net rental rates at 6.21% over the quarter (\$4.92 Net Q3'11 up to \$5.23 Net Q4'11). Overall GTA net rents have increased by 2.30% over the quarter (Figure 7).

Figure 7: GTA Asking Net Rent Change (Q3'11 – Q4'11)



Municipality	Inventory Sq Ft	Availability Rate	Under Construction	Q4 2011 Completions	Average Net Rent (\$/psf annum)	Average TMI (\$/psf annum)	Average Sale Price (\$/psf)
Brampton	89,256,193	8.55%	0	0	\$5.12	\$1.77	\$94.62
Burlington	22,470,660	9.72%	75,000	0	\$5.10	\$2.61	\$72.08
Milton	14,691,269	7.93%	13,342	0	\$5.86	\$1.59	\$94.01
Mississauga	170,258,690	8.04%	855,711	0	\$4.52	\$2.24	\$80.81
Oakville	26,528,469	7.25%	0	47,855	\$5.77	\$2.32	\$81.31
GTA West	323,205,281	8.23%	944,053	47,855	\$4.99	\$2.07	\$82.78

Figure 8: GTA West Direct and Sublet Availability

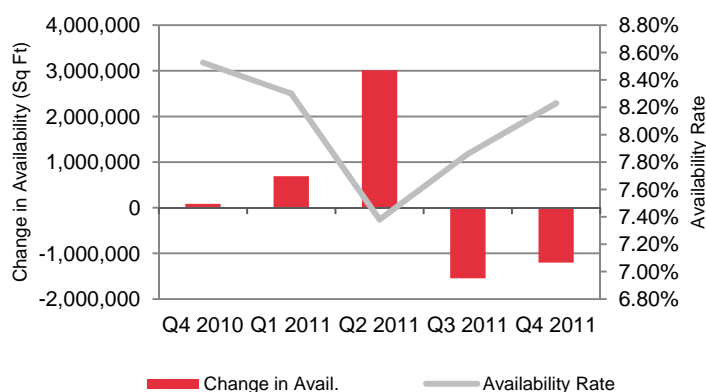


- The availability rate increased by 37 basis points in Q4 2011 to finish the quarter at 8.23%. This was a result of 1.2 million square feet coming to the market over the quarter. Over the past five quarters availability rates have ranged between 7.38% to 8.53%. (Figure 9). Sublease availability rose by 0.37% up to 11.57% over the quarter in the GTA West. (Figure 8).

- Oakville and Burlington posted the highest gross rental rates within the GTA West, \$8.09 and \$7.71 respectively. (Figure 10). GTA West gross rental rates continued to remain steady at \$7.06 and have averaged between \$6.80 to \$8.00 gross over the past five quarters.

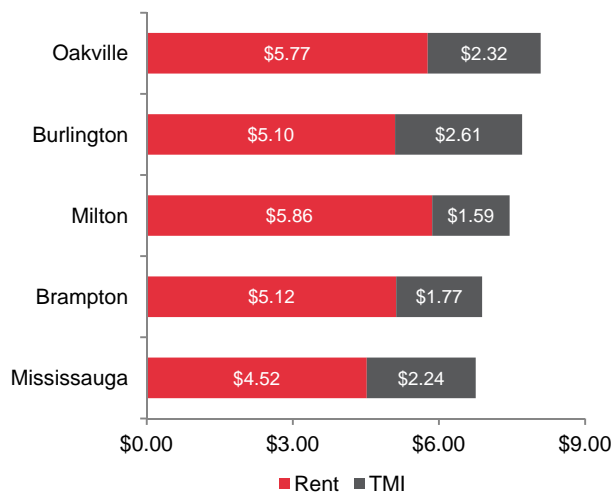
- The GTA West market accounts for almost 47.83% of all under construction buildings within the GTA. Currently there are four buildings under construction that will total 944,053 square feet once completed.

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 Lease Transactions

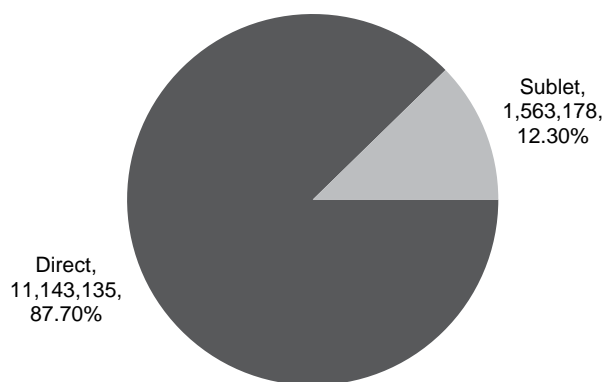
Address	Municipality	Total Area (Sq Ft)	Leased Rate (Year 1)
7380 Bren Road	Mississauga	242,778	\$5.00
8030 Esquesing Line	Milton	159,380	\$4.25
1771 Aimco Boulevard	Mississauga	94,875	\$4.50
6815 Davand Drive	Mississauga	24,445	\$4.35

GTA West - Significant Sale Transactions

Address	Municipality	Total Area (Sq Ft)	Sale Price
6500 Mississauga Road	Mississauga	805,000	\$44,000,000
10 Sun Pac Boulevard	Brampton	350,000	\$20,000,000
6400 Shawson Drive	Mississauga	211,936	\$15,250,000
2365 Dixie Road	Mississauga	184,248	\$5,800,000

Municipality	Inventory Sq Ft	Availability Rate	Under Construction	Q4 2011 Completions	Average Net Rent (\$/psf annum)	Average TMI (\$/psf annum)	Average Sale Price (\$/psf)
City of York	6,310,537	13.37%	0	0	\$4.02	\$2.85	\$82.15
East York	9,029,002	3.03%	0	0	\$4.98	\$2.09	\$60.85
Etobicoke	80,350,364	9.59%	0	0	\$4.36	\$1.85	\$83.09
North York	83,951,936	3.30%	227,287	0	\$4.22	\$2.86	\$74.84
Scarborough	63,855,370	5.16%	0	0	\$4.38	\$2.95	\$77.20
Toronto	34,575,669	1.08%	0	0	\$4.27	\$3.02	\$101.29
Central	278,072,878	5.49%	227,287	0	\$4.34	\$2.34	\$79.91

Figure 11: Central Direct and Sublet Availability

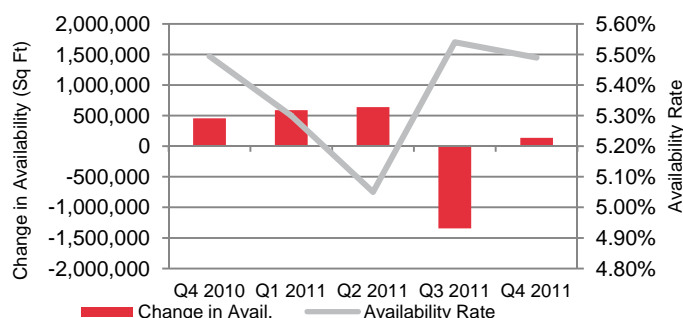


- The availability rate decreased by five basis points in Q4 2011 to finish the quarter at 5.49% from the 5.54% seen in Q3 2011. This was the result of 137,000 square feet being taken off the market over the quarter. Availability rates have ranged between 5.05% to 5.54% over the past five quarters. (Figure 12). Sublease space continued to decrease in Q4 2011. Sublease listings made up 12.30% of total available space in Q4 2011. (Figure 11).

- Scarborough continued to post the highest gross rents within the Central market in Q4 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 \$7.51 over the past five quarters. (Figure 13).

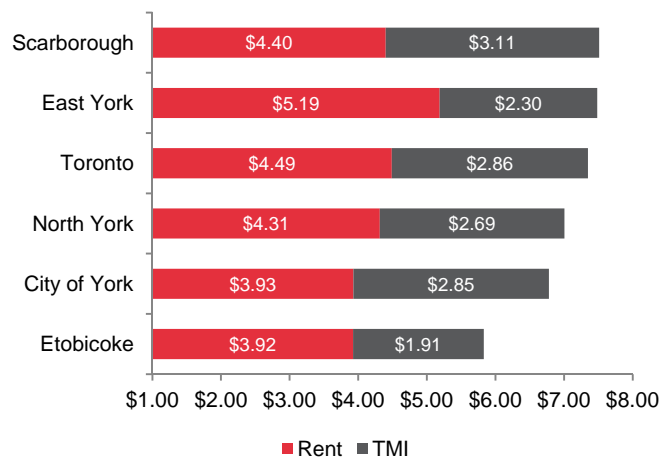
- There is one building under construction that will total over 227,000 square feet once completed.

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

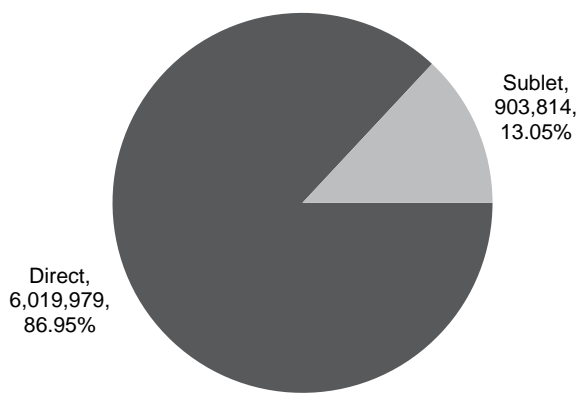
Address	Municipality	Total Area (Sq Ft)	Leased Rate (Year 1)
5787 Steeles Avenue W	North York	43,088	\$4.00
80 Alexdon Road	North York	24,953	\$3.75
44 Samor Road	City of York	23,964	\$5.05
5789 Steeles Avenue W	North York	21,088	\$4.00

Central - Significant Sale Transactions

Address	Municipality	Total Area (Sq Ft)	Sale Price
715 Milner Avenue	Scarborough	257,622	\$16,800,000
75 Vickers Road	Etobicoke	165,713	\$6,150,000
11 & 31 Canadian Road	Scarborough	115,650	\$3,693,174
3771 Victoria Park Avenue	Scarborough	67,140	\$5,300,000

Municipality	Inventory Sq Ft	Availability Rate	Under Construction	Q4 2011 Completions	Average Net Rent (\$/psf annum)	Average TMI (\$/psf annum)	Average Sale Price (\$/psf)
Aurora	5,246,732	11.76%	43,912	0	\$4.48	\$2.17	\$69.59
Markham	34,183,093	5.39%	0	0	\$5.66	\$2.63	\$133.15
Newmarket	5,751,691	5.26%	48,389	0	\$6.13	\$2.79	\$66.29
Richmond Hill	13,686,944	5.46%	52,000	0	\$6.32	\$3.18	\$123.77
Vaughan	78,889,441	4.88%	233,286	0	\$4.95	\$2.03	\$79.51
GTA North	137,757,901	5.34%	377,587	0	\$5.23	\$2.32	\$102.99

Figure 14: GTA North Direct and Sublet Availability

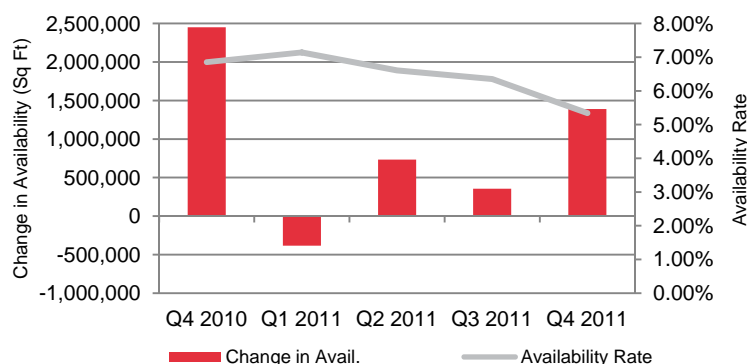


- The availability rate decreased by 101 basis points in Q4 2011 to finish the quarter at 5.34% from the 6.35% seen in Q3. This resulted from a positive change in availability of 1.38 million square feet. Over the past five quarters the availability rate has ranged between 5.34% to 7.14%. (Figure 15). Sublet availability rose to 13.05% in Q4 2011 from the 8.70% experienced in Q3 (Figure 14).

- Newmarket and Richmond Hill continue to post the highest gross rent figures in the GTA North, \$9.50 and \$8.92 respectively. This market continues to remain at the high end of the rental rate range in the GTA, gross rents in the North experienced a 6.21% increase since Q3 2011. The GTA North rental rates have ranged between \$7.10 to \$7.89 gross over the past five quarters. (Figure 16).

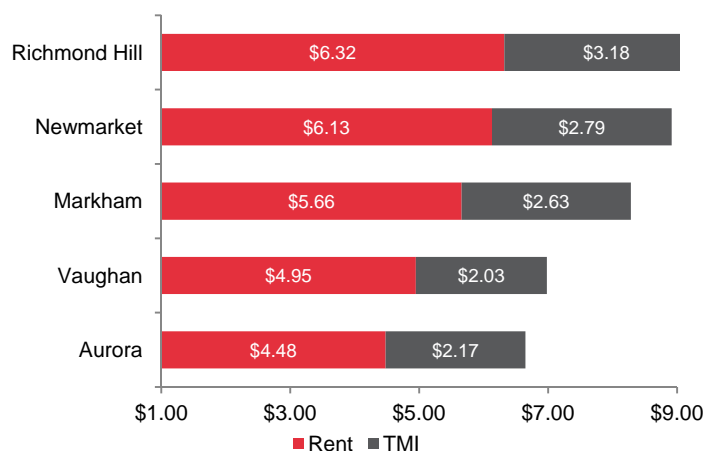
- The GTA North accounts for 11.51% of the current under construction total in the GTA. There are four buildings under construction that will total over 377,000 square feet once completed.

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
8301 Keele Street	Vaughan	275,000	\$8,000,000
5770 & 5780 Highway 7	Vaughan	226,811	\$14,500,000
8400 Keele Street	Vaughan	148,804	\$7,000,000
400 Harry Walker Parkway South	Newmarket	140,495	\$6,000,000

GTA North - Significant Lease Transactions

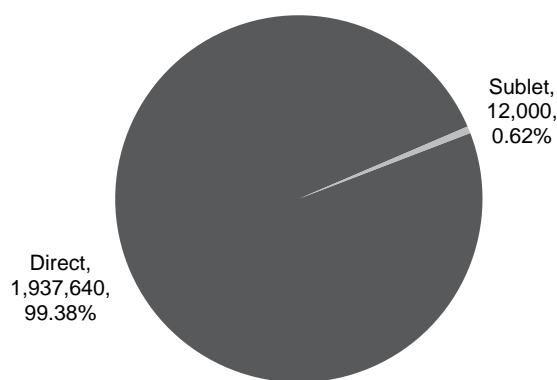
Address	Municipality	Total Area (Sq Ft)	Leased Rate (Year 1)
7883 Keele Street	Vaughan	73,753	\$2.25
625 Millway Avenue	Vaughan	71,399	\$3.25
53 Courtland Avenue	Vaughan	54,250	\$4.60
224 Don Hillock Drive	Aurora	29,134	\$6.39

Source: DTZ Barnicke Research

Source: The Marsh Report

Municipality	Inventory Sq Ft	Availability Rate	Under Construction	Q4 2011 Completions	Average Net Rent (\$/psf annum)	Average TMI (\$/psf annum)	Average Sale Price (\$/psf)
Ajax	7,218,724	3.28%	425,000	0	\$4.68	\$2.95	\$66.27
Oshawa	3,914,722	16.90%	0	0	\$5.50	\$1.78	\$35.90
Pickering	8,722,668	10.65%	0	0	\$3.58	\$2.59	\$47.72
Whitby	8,089,864	10.31%	0	0	\$4.86	\$2.28	\$72.96
GTA East	27,945,978	9.52%	425,000	0	\$4.39	\$2.39	\$57.82

Figure 17: GTA East Direct and Sublet Availability



- The GTA East availability rate decreased by 102 basis points in Q4 2011 to 9.52% from the 10.54% seen in Q3 2011. This was a result of a 284,791 square foot drop in available space over the quarter. Availability rates ranged between 9.52% to 11.34% over the past five quarters. (Figure 18). Sublease space continues to be in short supply, only accounting for 0.62% of the overall availability. (Figure 17).

- Ajax demanded the highest gross rents in Q4 2011 at \$7.64. (Figure 19). Rental rates remained steady and have ranged from \$6.37 to \$7.09 gross over the past five quarters.

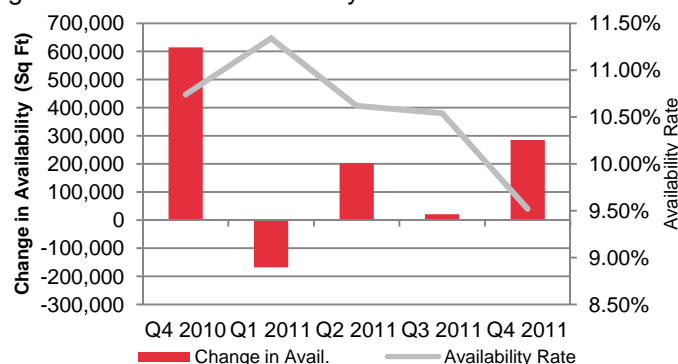
- The GTA East has one building under construction totalling 425,000 square feet, this totals 19.13% of all under construction projects in the GTA.

GTA East - Significant Lease Transactions

Address	Municipality	Total Area (Sq Ft)	Leased Rate (Year 1)
200 Montecorte Street E	Whitby	178,355	\$4.75
651 Harwood Avenue N	Ajax	22,500	\$4.95
1700 McEwen Drive	Whitby	18,400	\$6.00

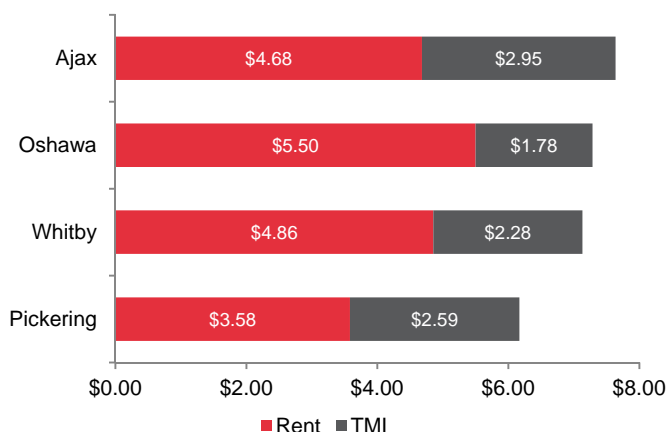
Source: DTZ Barnicke Research

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.

Figure 19: GTA East Gross Rent Comparison



GTA East - Significant Sale Transactions

Address	Municipality	Total Area (Sq Ft)	Sale Price
144 & 155 First Avenue	Oshawa	411,000	\$3,500,000
1650 McEwen Drive	Whitby	18,000	\$2,150,000
900 Dillingham Road	Pickering	13,784	\$1,198,000

Source: The Marsh Report

Municipality / Market	Inventory Sq Ft	Availability Rate	Under Construction	Q4 2011 Completions	Average Net Rent (\$/psf annum)	Average TMI (\$/psf annum)	Average Sale Price (\$/psf)
Brampton	89,256,193	8.55%	0	0	\$5.12	\$1.77	\$94.62
Burlington	22,470,660	9.72%	75,000	0	\$5.10	\$2.61	\$72.08
Milton	14,691,269	7.93%	13,342	0	\$5.86	\$1.59	\$94.01
Mississauga	170,258,690	8.04%	855,711	0	\$4.52	\$2.24	\$80.81
Oakville	26,528,469	7.25%	0	47,855	\$5.77	\$2.32	\$81.31
GTA West	323,205,281	8.23%	944,053	47,855	\$4.99	\$2.07	\$82.78
City of York	6,310,537	13.37%	0	0	\$4.02	\$2.85	\$82.15
East York	9,029,002	3.03%	0	0	\$4.98	\$2.09	\$60.85
Etobicoke	80,350,364	9.59%	0	0	\$4.36	\$1.85	\$83.09
North York	83,951,936	3.30%	227,287	0	\$4.22	\$2.86	\$74.84
Scarborough	63,855,370	5.16%	0	0	\$4.38	\$2.95	\$77.20
Toronto	34,575,669	1.08%	0	0	\$4.27	\$3.02	\$101.29
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Source: DTZ Barnicke Research

Report Definitions

Availability:	Marketed space that may or may not be vacant.
Availability rate:	Industrial space currently available as a percentage of inventory.
Change in availability:	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.
Floor space:	Floor area in sq ft adopted throughout is gross internal area.
Inventory:	Total floor space per building measured in square feet.
Speculative development:	A newly developed or comprehensively refurbished building undertaken without the benefit of a secured tenant.
Development start:	A development in which work has started on the main contract. This usually excludes demolition and site clearance contracts.
Development completion:	A development in which the main contract has been completed, whether this be to shell and core or developer's finish.
Active demand:	Named entities with appointed agents and a declared requirement for industrial accommodation which it wishes to satisfy within the foreseeable future
Under offer:	Units which a potential tenant has agreed in principle to acquire, subject to negotiation.
Net rent:	The rent reported being paid, which may not take account of additional rent or concessions such as rent-free periods, or leasehold improvements.
Taxes, Maintenance and Insurance (TMI):	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.
Weighted average asking net rent:	A mathematical average in which a weighting factor (available square footage) is applied to each component number in a set of numbers.

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