

Upward rental rate growth and low vacancy trends remain undeterred despite impacts of COVID-19 on leasing activity.



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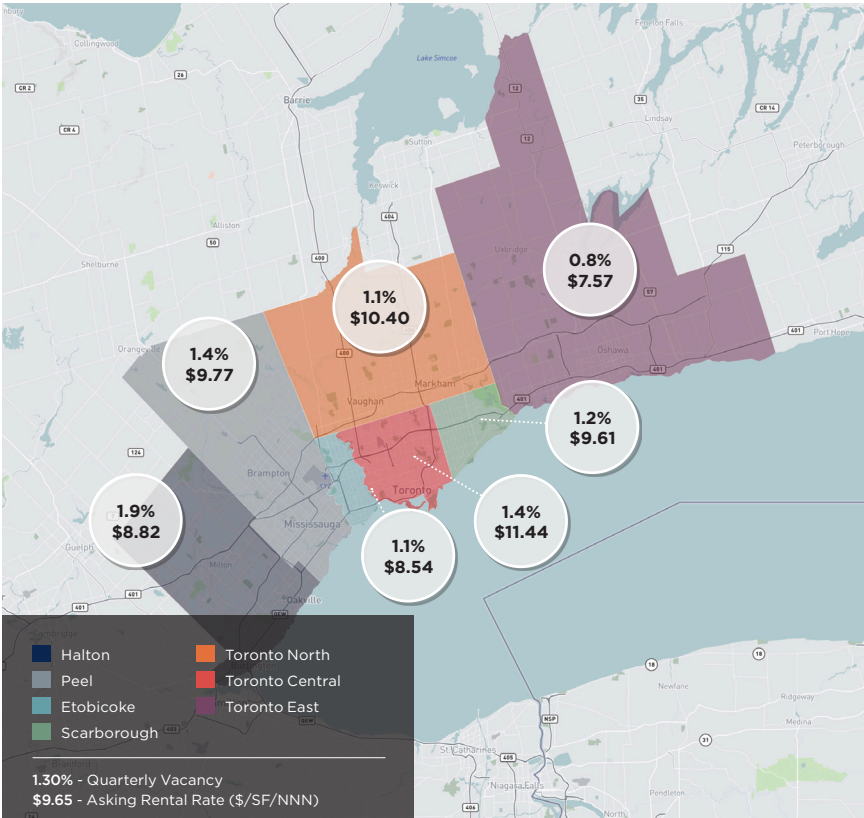
The COVID-19 pandemic and the resulting declaration of a State of Emergency in Ontario in mid-March introduced a substantial amount of uncertainty across all real estate asset classes. Thus far, the industrial asset class has displayed the greatest strength. A significant excess of tenant demand prior to COVID-19 and the ability of businesses occupying industrial facilities to remain operational as essential services, have provided support for the industrial market.

Overall net asking rents in the Greater Toronto Area (GTA) continued to trend upwards over the quarter, reaching \$9.65 per square foot (psf), an 18.0% increase compared to Q2 2019. Vacancy rates held steady, at 1.3%, broadly unchanged from 1.2% in Q2 2019. Over the quarter, as COVID-19 advanced, the market began to display a widening in pricing expectations between tenants and buyers and landlords and sellers. It is expected that despite this divergence of opinions, rental rate growth will remain positive and vacancy rates will remain low.

KEY STATISTICS

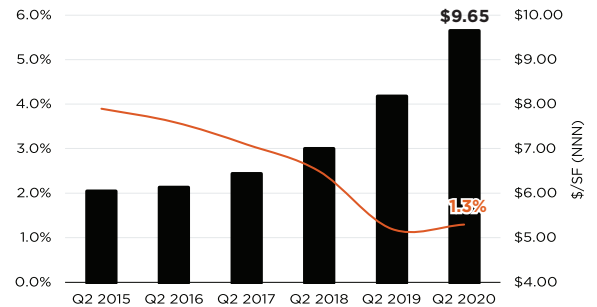
	Q2 2019	Q2 2020	y-o-y Change
Inventory	819.6 MSF	833.1 MSF	▲
Vacancy Rate	1.20%	1.30%	▲
Net Absorption	0.5 MSF	3.1 MSF	▲
Under Construction	14.1 MSF	9.5 MSF	▼
Overall Asking Rent (NNN)	\$8.18	\$9.65	▲

The Peel submarket garnered an overwhelming majority of notable leasing transactions this quarter including Amazon's leasing of 220,000 square feet (sf) at 3389 Steeles Avenue East and 160,000 sf at 3495 Steeles Avenue East. In Mississauga, Goodfood leased 208,000 sf at 759 Winston Churchill Boulevard. Sales activity experienced a significant decrease in the quarter, with total transaction volume decreasing by 55% quarter over quarter to \$345M, while the number of transactions decreased by 30%. Notable sales in the quarter include Mylex's sale of 37 Bethridge Road to Adelaide Development Corp. for \$19.1M and General Electric's sale of 1290 South Service Road West for \$15.2M.



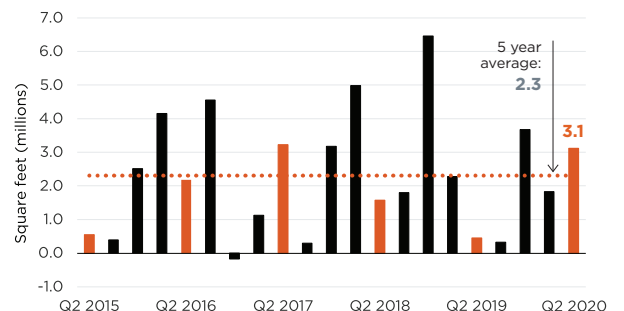
VACANCY AND ASKING RENT TRENDS

Toronto



NET ABSORPTION

Toronto



“The Industrial real estate market in the GTA has proven resilient throughout the early months of the COVID-19 pandemic, despite a marked decrease in leasing and sales activity. While the path forward for many occupiers has yet to be determined, companies in the e-commerce, grocery and medical sectors have remained extremely active within the marketplace.”

– Brian Prevoe, Corporate Managing Director

SUBMARKET OVERVIEW

Submarket	Existing Inventory		Vacancy			YTD Net Absorption (SF)	YTD Deliveries (SF)	Under Construction (SF)	Overall Asking Rent (NNN)
	# Bldgs	Total (SF)	Direct (SF)	Total (SF)	Vac %				
Halton	1,599	83,946,726	1,462,094	1,590,219	1.9%	837,965	435,852	1,322,606	\$8.82
Peel	5,109	296,871,446	3,679,088	4,123,894	1.4%	2,889,371	2,267,716	4,843,266	\$9.77
Etobicoke	1,659	68,085,853	722,004	766,237	1.1%	-124,864	0	0	\$8.54
Scarborough	1,505	60,909,008	703,279	728,279	1.2%	-62,845	0	1,023,359	\$9.61
Toronto North	3,489	169,925,398	1,633,697	1,846,731	1.1%	845,270	695,894	1,099,850	\$10.40
Toronto Central	2,616	99,200,281	1,335,834	1,367,404	1.4%	-16,194	0	0	\$11.44
Toronto East	1,104	54,159,839	424,446	435,467	0.8%	586,741	637,000	1,166,262	\$7.57
Overall	17,081	833,098,551	9,960,442	10,858,231	1.3%	4,955,444	4,036,462	9,455,343	\$9.65

MAJOR TRANSACTIONS

Sales

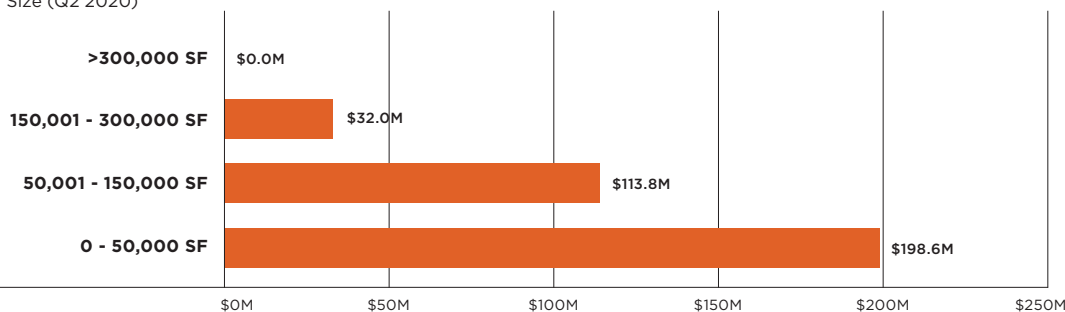
Owner/Buyer	Seller	Date	Address	Square Feet	Built	Land Area (acres)	Price	Submarket
Adelaide Development Corp.	Mylex	May '20	37 Bethridge Road	128,256	1959	4.99	\$19,075,000	Etobicoke
Consumer Lighting Canada Company	General Electric	Jun '20	1290 South Service Road West	130,576	1962	16.87	\$15,194,000	Halton
C.P. Converters Canada	The Jim Pattison Group	Jun '20	285 Industrial Parkway South	105,511	1980	8.60	\$14,200,000	Toronto North
Groupe Deschenes Inc.	Fiera Properties	Apr '20	7550 Tranmere Drive	100,443	2000	5.86	\$13,860,000	Peel
Effort Trust	The Cartwright Group	Jun '20	240 Edward Street	104,150	1980	7.67	\$12,842,000	Toronto North

Leases

Tenant	Square Feet	Address	Submarket	Landlord
Amazon	220,000	3389 Steeles Avenue East	Peel	GWL
Goodfood	208,000	759 Winston Churchill Boulevard	Peel	Moldenhauer Corp.
Amazon	160,000	3495 Steeles Avenue East	Peel	GWL
DHL	151,000	6 Manchester Court	Peel	Panattoni
Canada Post	148,000	125 Edgeware Road	Peel	Orlando

TRANSACTION VOLUME

By Building Size (Q2 2020)



Source Savills Research

Market Trends



Vacancy Rises

Q2 2019: 1.2% | Today: 1.3%



Asking Rent Growth (NNN)

Year-Over-Year Change: 18%
Q2 2019: \$8.18 | Q2 2020: \$9.65



Under Construction

Year-Over-Year Change: -33%
Q2 2019: 14.1 MSF
Q2 2020: 9.5 MSF

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