



PEEL INDUSTRIAL AND
OFFICE MARKET TRENDS
ANALYSIS

PREPARED FOR:
REGION OF PEEL

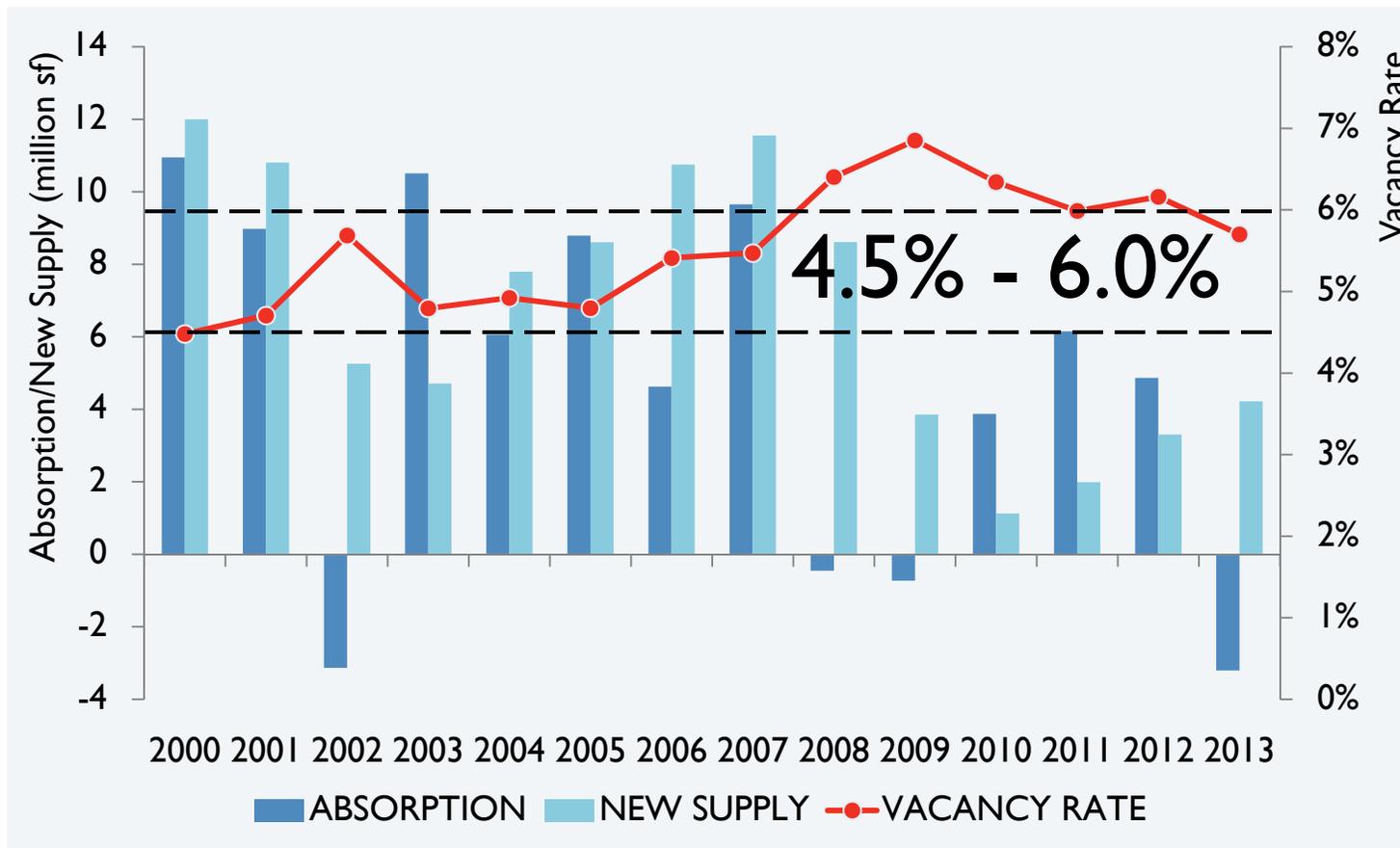
MARCH 5, 2015

INDUSTRIAL MARKET OVERVIEW

INDUSTRIAL MARKET

Absorption, New Supply and Vacancy Rate – Time Series

GTA – ABSORPTION, NEW SUPPLY AND VACANCY RATE

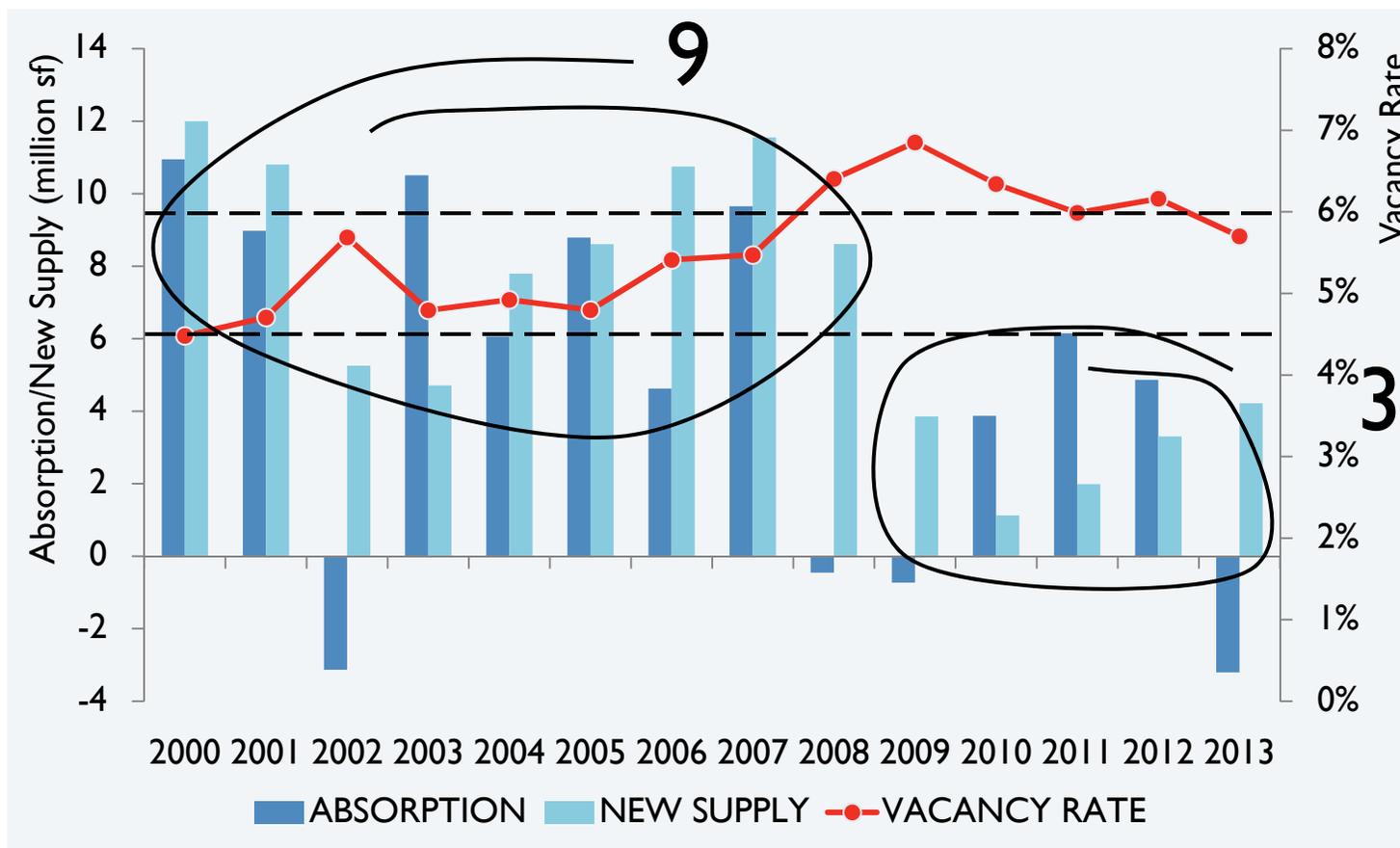


- Vacancy rate in a range from 4.5% - 6.0% from 2000 through 2007 (and again in 2013).

INDUSTRIAL MARKET

Absorption, New Supply and Vacancy Rate – Time Series

GTA – ABSORPTION, NEW SUPPLY AND VACANCY RATE

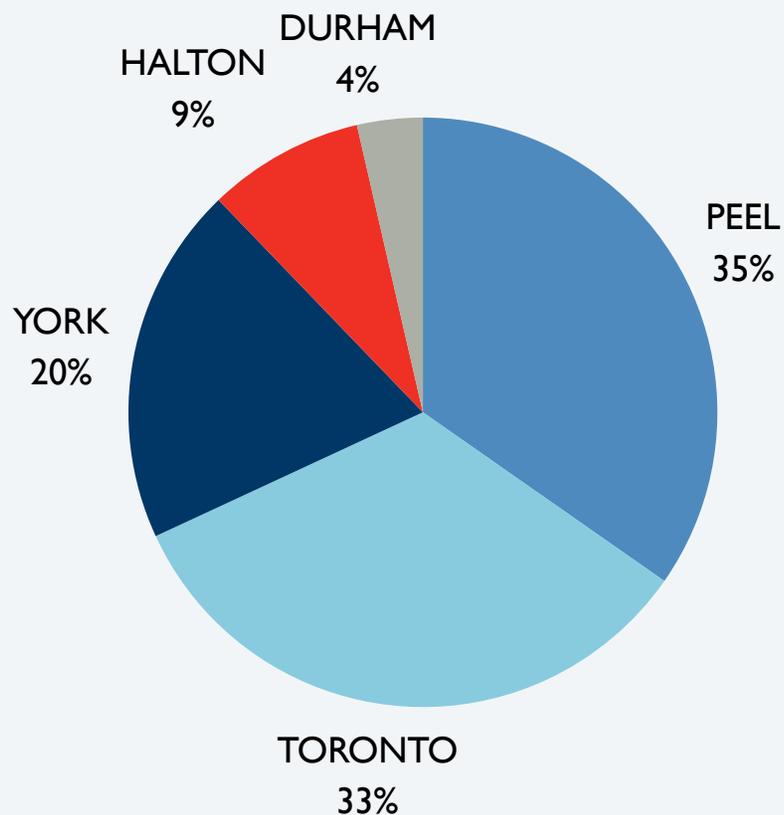


- Average annual new supply of 9 million sf from 2000-2008.
- New supply annual average of 3 million sf from 2009-2013 (but increased each of the past three years).

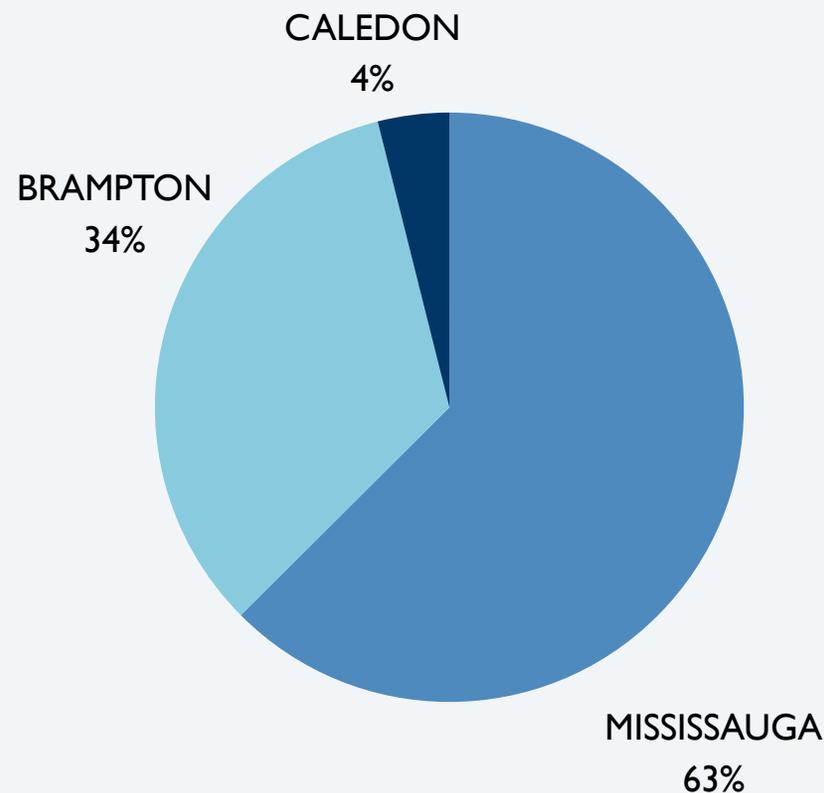
INDUSTRIAL MARKET

Inventory – GTA and Peel

GTA – INVENTORY (2013)



PEEL – INVENTORY (2013)

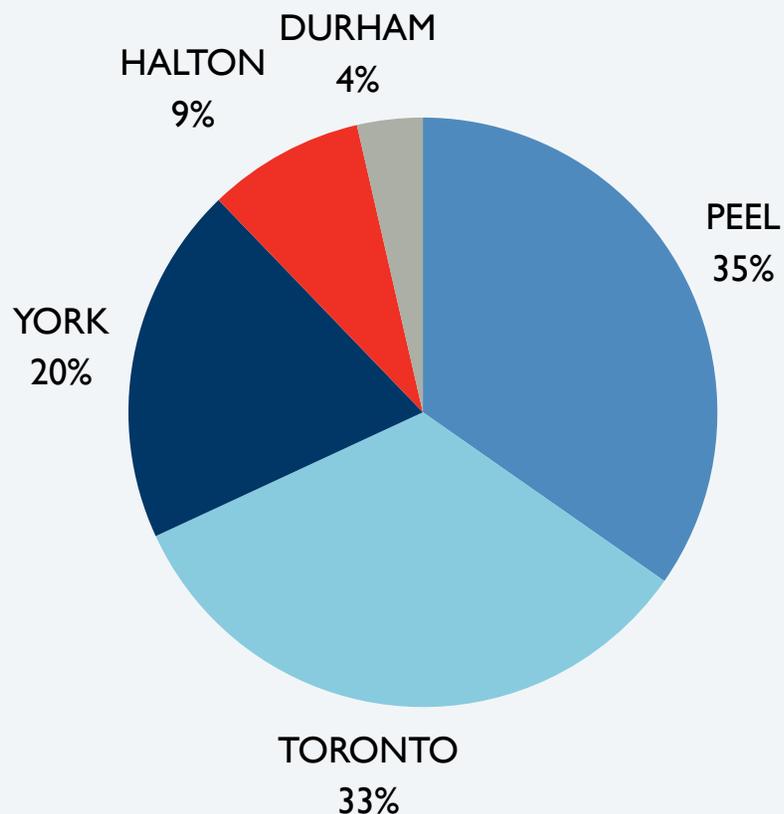


- Peel accounts for 35% of the GTA's industrial inventory (sf).
- Mississauga (172 million sf) represents a 63% share of Peel's inventory, followed by Brampton (92 million sf – 34%) and Caledon (11 million sf – 4%).

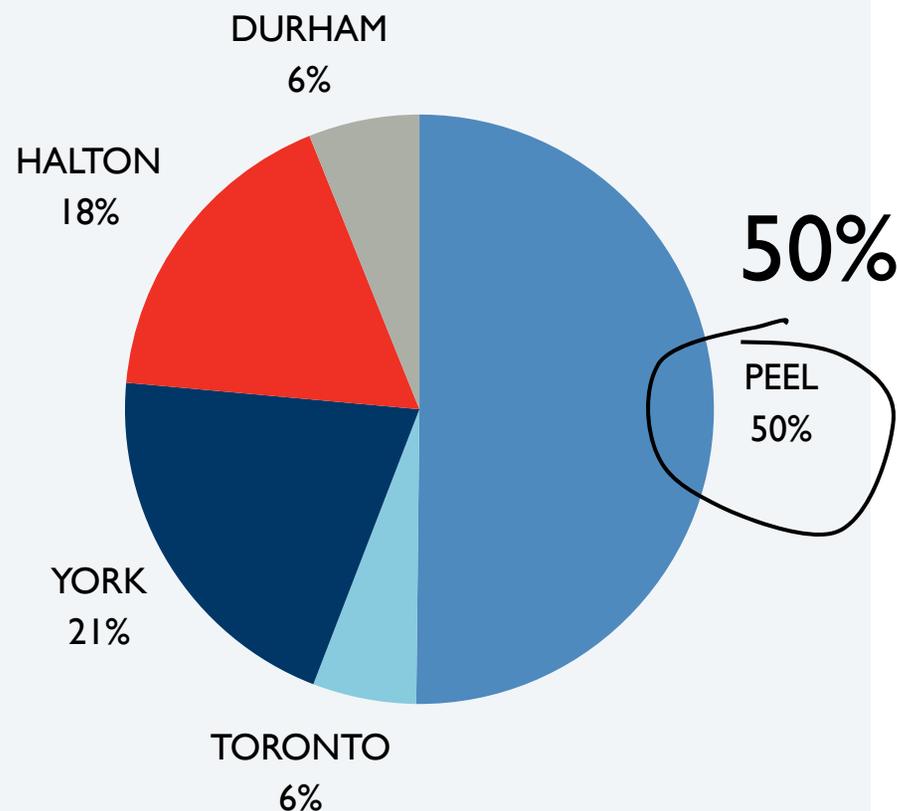
INDUSTRIAL MARKET

Inventory and New Supply Comparison

GTA – INVENTORY (2013)



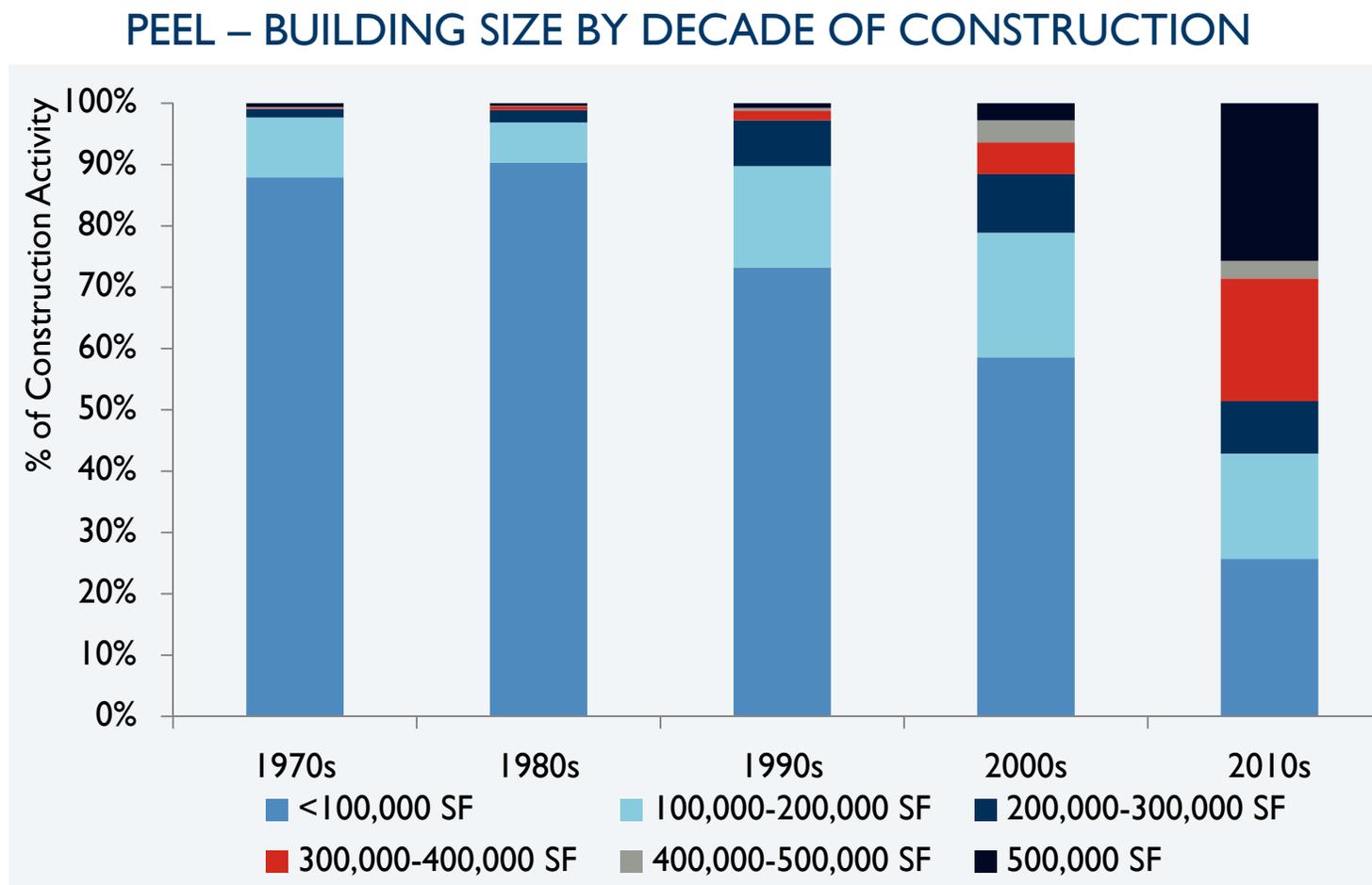
GTA – NEW SUPPLY (2000-2013)



- Since 2000, Peel Region has accounted for 1 out of every 2 new sf of industrial space GTA-wide.
 - Mississauga has accounted for a 63% share of Peel's new supply, followed by Brampton at 34% (equivalent to their proportion of existing inventory).
- Why? Multiple 400-series highway access... Proximity to airport... Large and growing labour force... GTA west location...

INDUSTRIAL MARKET

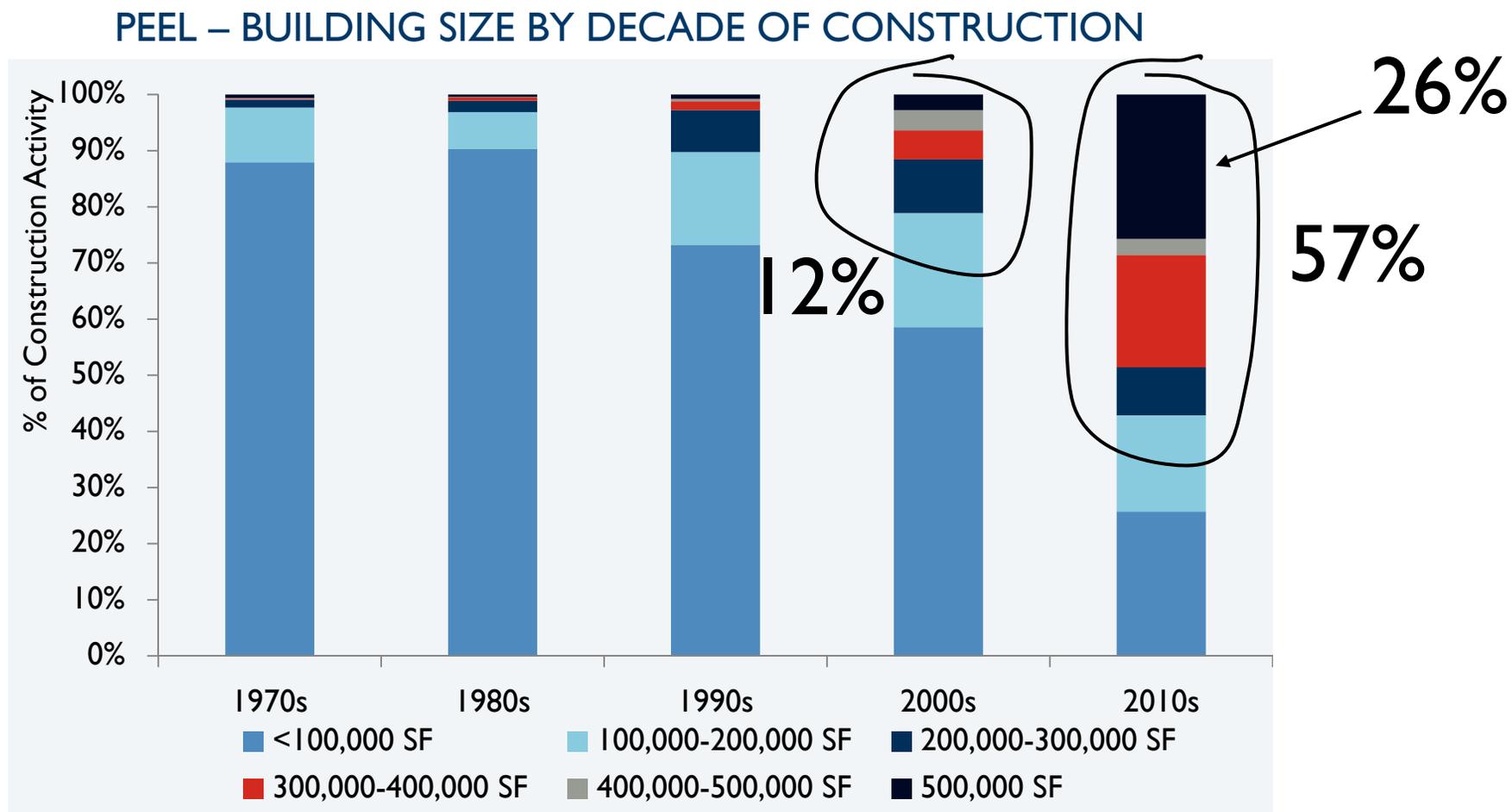
Building Size by Decade of Construction



- In Peel, buildings over 100,000 sf constituted roughly a 10% share of the development activity in the 1970s and 1980s.
- There is an awareness that industrial facilities – particularly warehouse and distribution centres – have moved to a larger building model.

INDUSTRIAL MARKET

Building Size by Decade of Construction

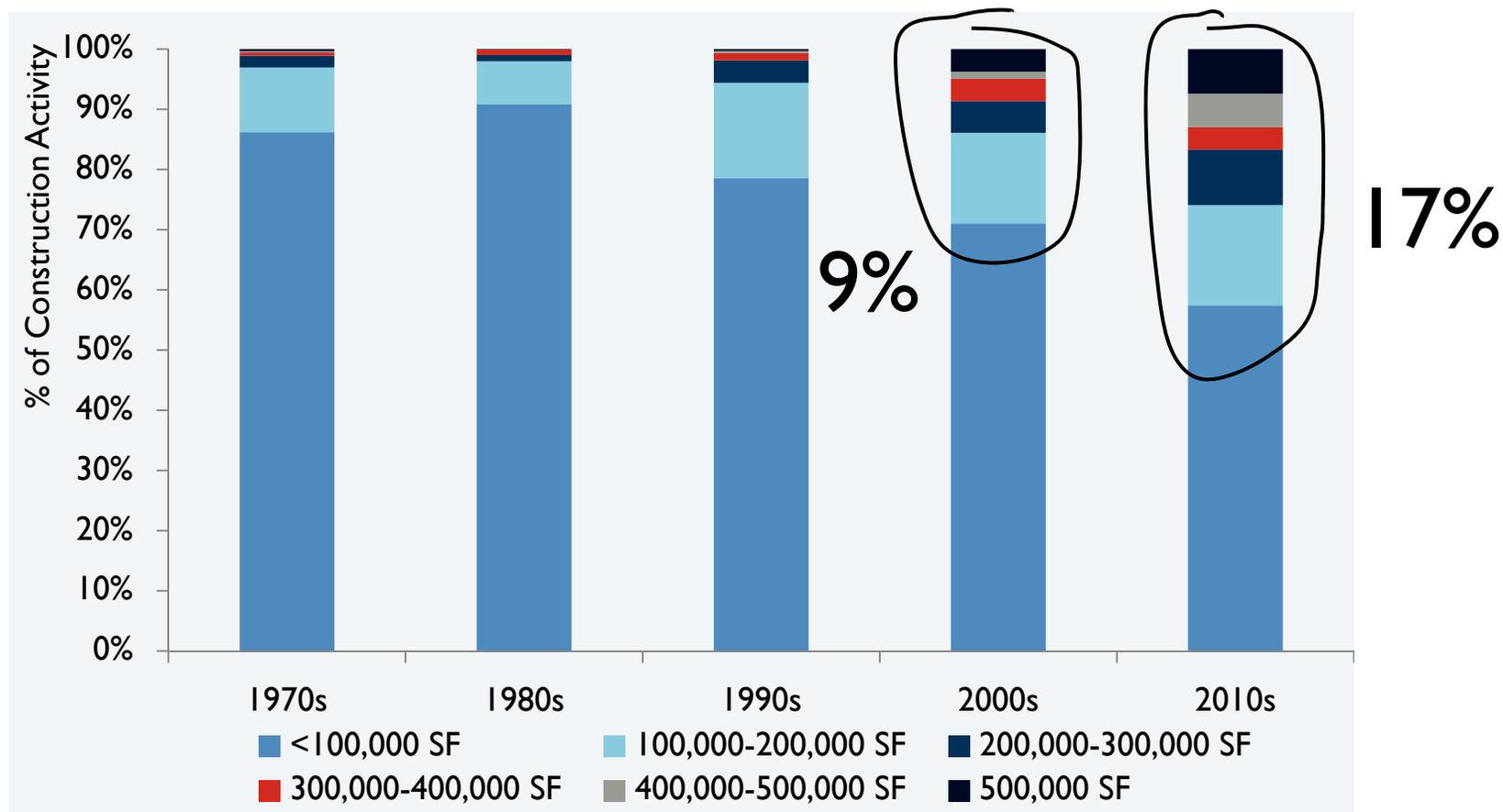


- In the 2000s in Peel, buildings over 100,000 sf accounted for a 41% share of the development activity; buildings over 200,000 sf accounted for a 12% share.
 - The proportion of buildings over 200,000 sf increased to a 57% share in the 2010s.
 - In the 2010s, buildings over 500,000 sf account for 26% of all activity (including under construction today).

INDUSTRIAL MARKET

Building Size by Decade of Construction

OTHER GTA – BUILDING SIZE BY DECADE OF CONSTRUCTION

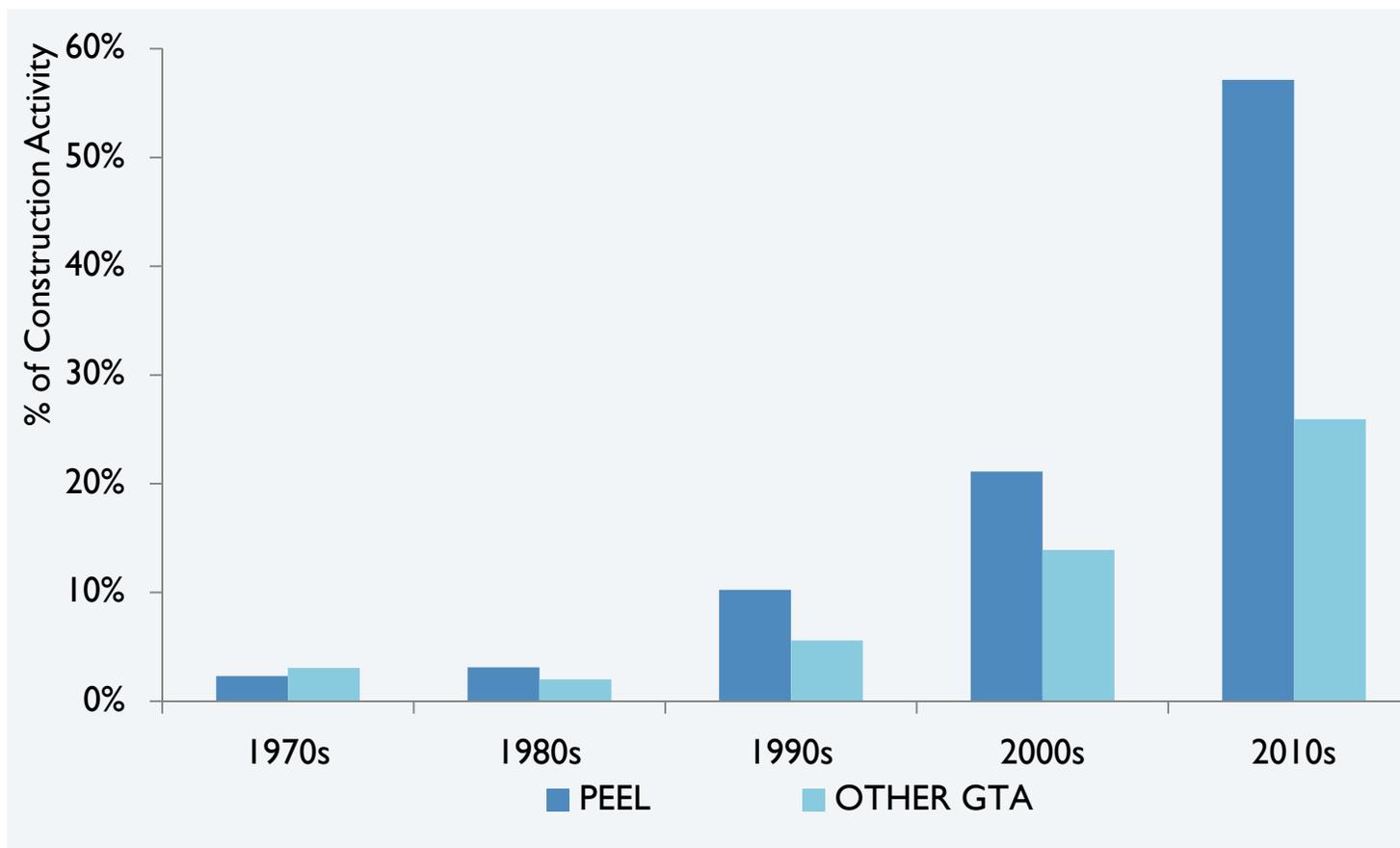


- Elsewhere in the GTA, the same overall trend is apparent – but not to the same magnitude.
- In the 2010s, buildings in excess of 100,000 sf accounted for a 17% share of overall activity elsewhere in the GTA, versus a 57% share of Peel’s industrial new construction.

INDUSTRIAL MARKET

Building Size by Decade of Construction

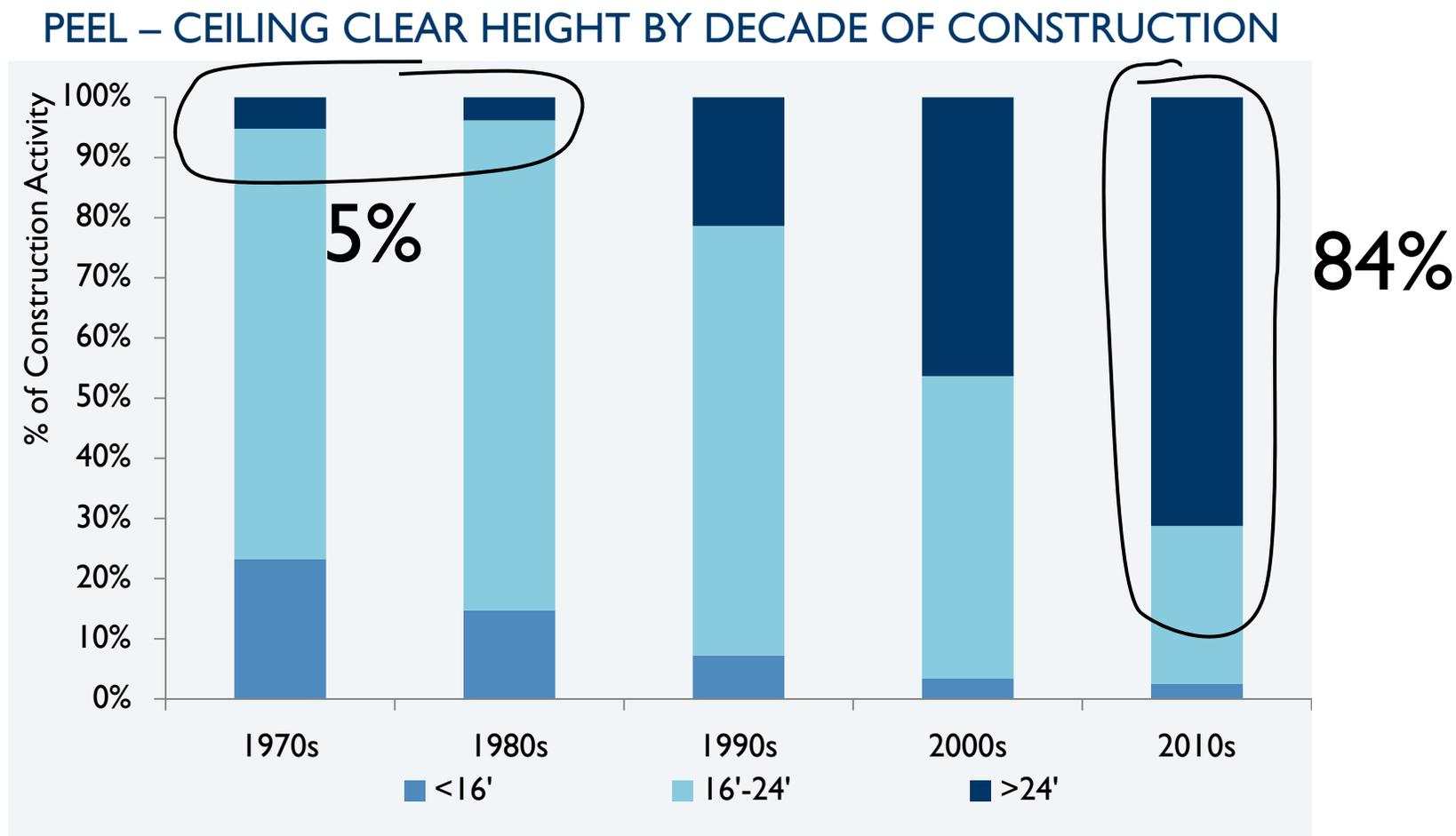
PEEL AND OTHER GTA – BUILDINGS OVER 200,000 SF



- In summary, the composition of the building stock in Peel is becoming much larger in size relative to elsewhere in the GTA.

INDUSTRIAL MARKET

Ceiling Clear Height by Decade of Construction

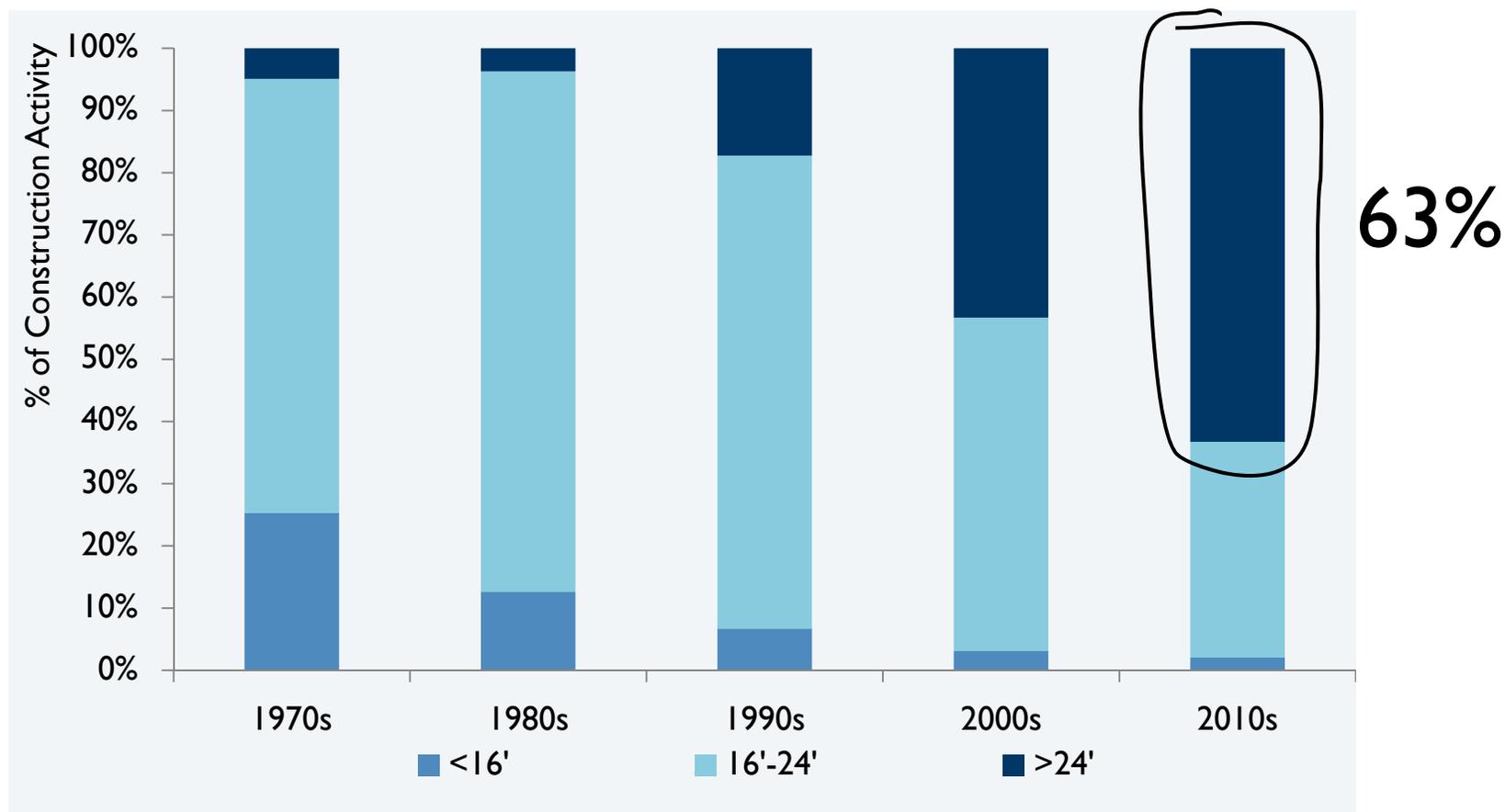


- The typical ceiling clear height (measured from the floor to the underside of ceiling joists) has increased significantly from the 1970s and 1980s to today.
 - Across Peel, buildings with a ceiling clear height of <24' comprised a roughly 5% share of buildings constructed in the 1970s and 1980s; this has grown to an 84% share in the 2010s.

INDUSTRIAL MARKET

Ceiling Clear Height by Decade of Construction

OTHER GTA – CEILING CLEAR HEIGHT BY DECADE OF CONSTRUCTION

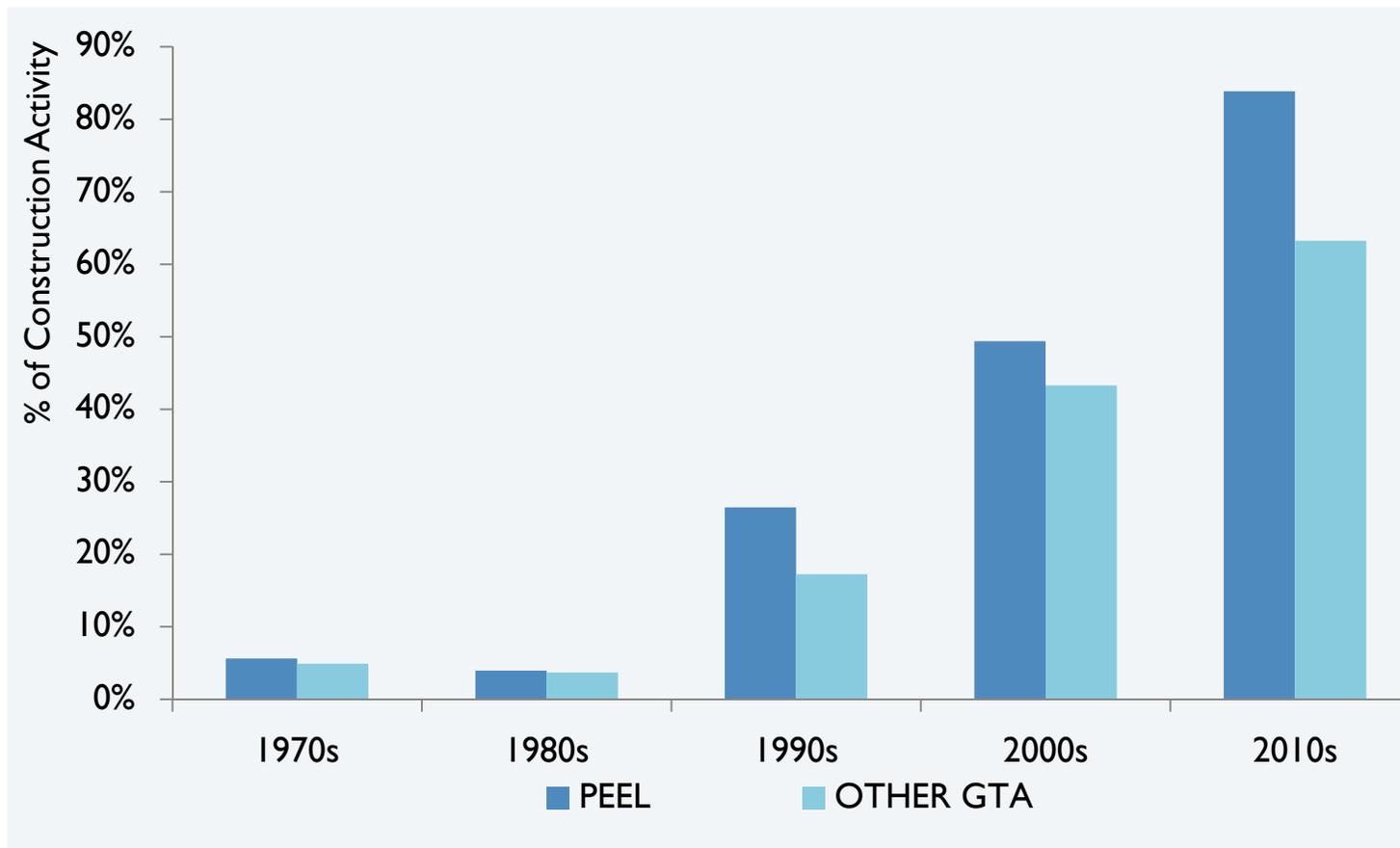


- Elsewhere in the GTA, a similar trend is evident – but as with building size increase, the change is not as pronounced as in Peel.
 - A 63% share of buildings constructed (or under construction) in the 2010s had a ceiling clear height of >24'.

INDUSTRIAL MARKET

Ceiling Clear Height by Decade of Construction

PEEL AND OTHER GTA – CEILING CLEAR HEIGHT <24'



- In summary, industrial buildings constructed with a ceiling clear height in excess of 24' have accounted for a greater share of activity in Peel versus elsewhere in the GTA.

IMPLICATIONS FOR PEEL'S NON-RESIDENTIAL DC REVENUE

INDUSTRIAL MARKET

Implications for Peel's Non-Residential DC Revenue

- What is the importance of each metric? What does it tell us about Peel?
- Impact on non-residential Development Charge revenue outlook (industrial = 70% share of projected revenue)?
- **Absorption**
 - Absorption (“change in occupied space”) is a function of employment growth.
 - Employment growth projections are a core element of the DC Background Study.
- **New Supply**
 - Pace of new supply activity slowed in recent years across GTA (post-recession).
 - New supply contributes DC revenue.
 - The recession has impacted the anticipated collection of non-residential DC revenues in Peel/GTA.

INDUSTRIAL MARKET

Implications for Peel's Non-Residential DC Revenue

- **Building Size**

- Increasing size of buildings doesn't affect non-residential DC revenue, since it is collected on a floor space basis.

- Larger buildings require large land parcels to be available to developers – protect these employment lands.

- Many of these larger buildings are warehousing and distribution-type facilities, which typically have a lower employment density compared to manufacturing facilities.

- » Employment density trends must be clearly understood – but not an element of C&W's analysis.

- **Ceiling Clear Height**

- Has implications for the collection of non-residential DC revenue.

- » DC's are collected on the basis on floor area, not cubic area.

- A building with 28' clear height has **40%** more cubic area than the same floor area with **20'** clear height.

- A building with 28' clear height has **17%** more cubic area than the same floor area with **24'** clear height.

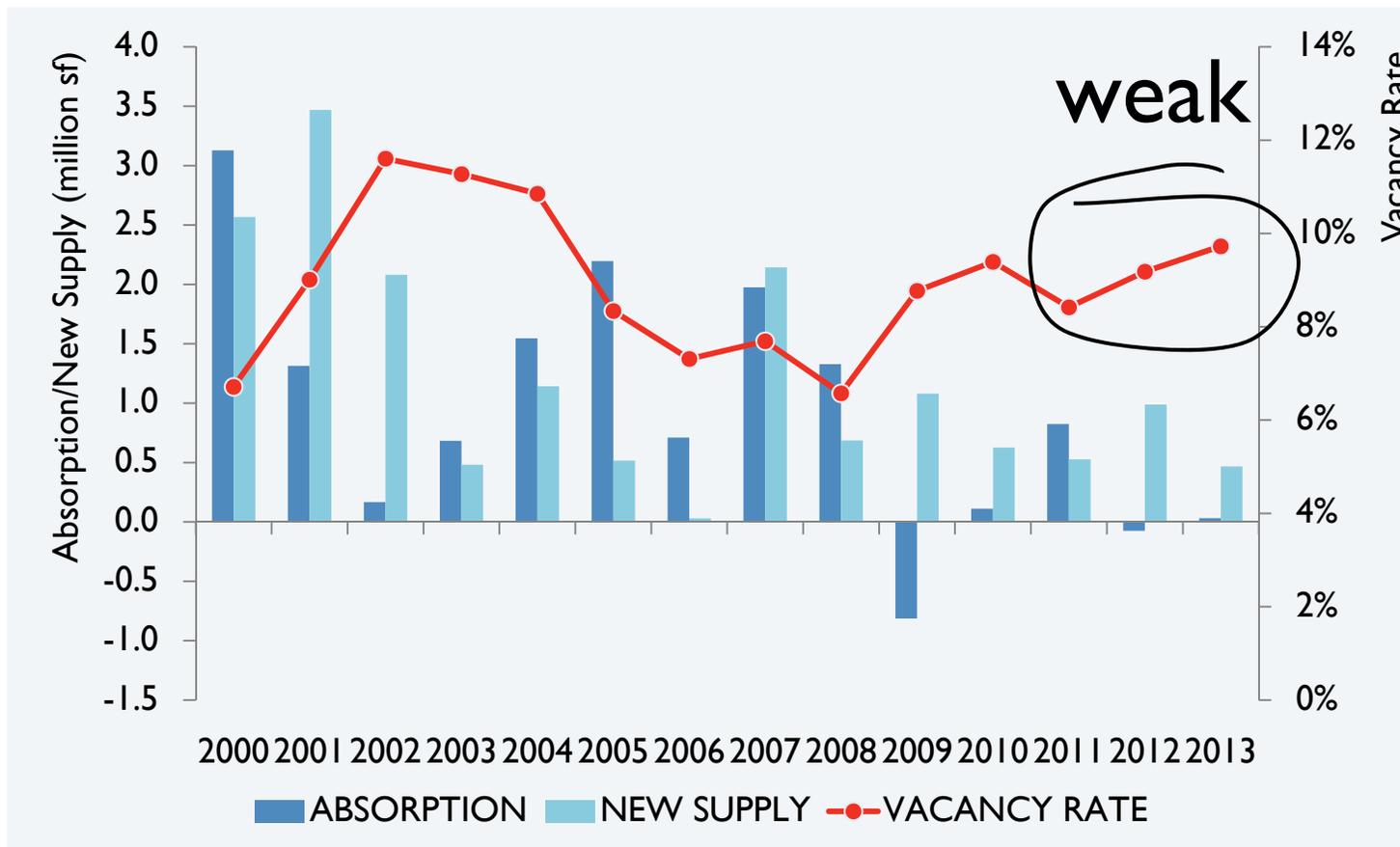
- » However, the 28' clear height building does not likely accommodate proportionally more workers (1:1).

OFFICE MARKET OVERVIEW

OFFICE MARKET

Absorption, New Supply and Vacancy Rate – Time Series

GTA SUBURBS – ABSORPTION, NEW SUPPLY AND VACANCY RATE

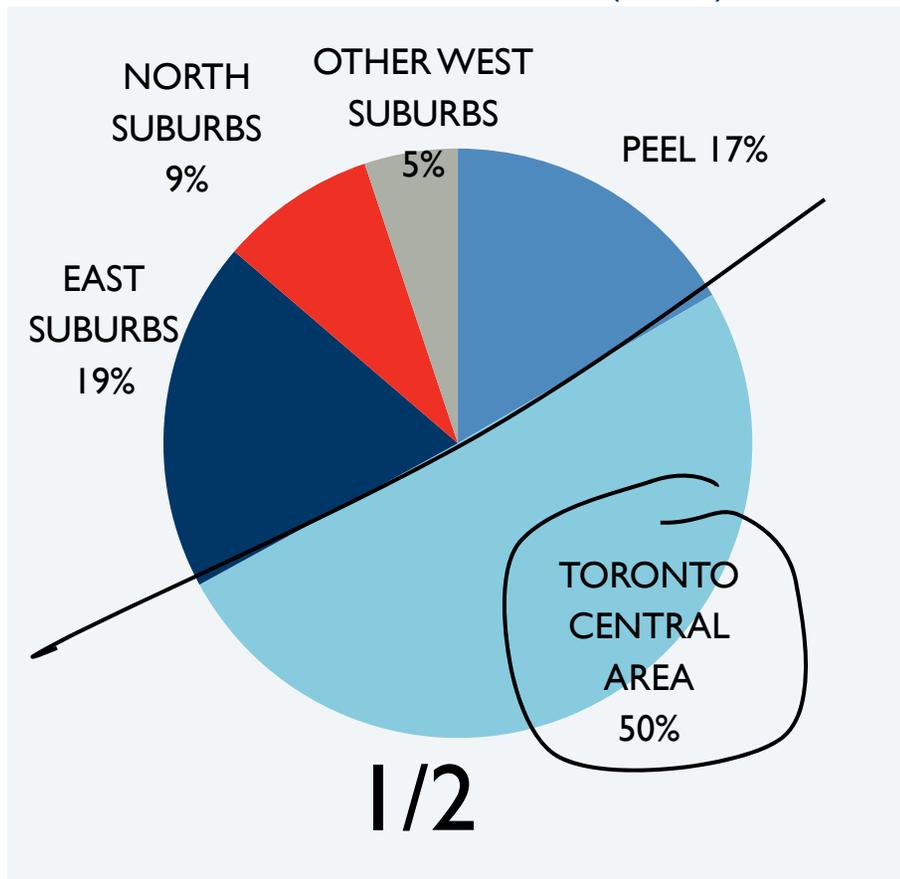


- Annual average of 1.2 million sf of new supply since 2000.
 - (6,000 jobs annually, at 200 sf per employee)
- Vacancy rate hasn't returned to pre-recession levels – weak absorption.
 - Renewed interest in Downtown Toronto office development.

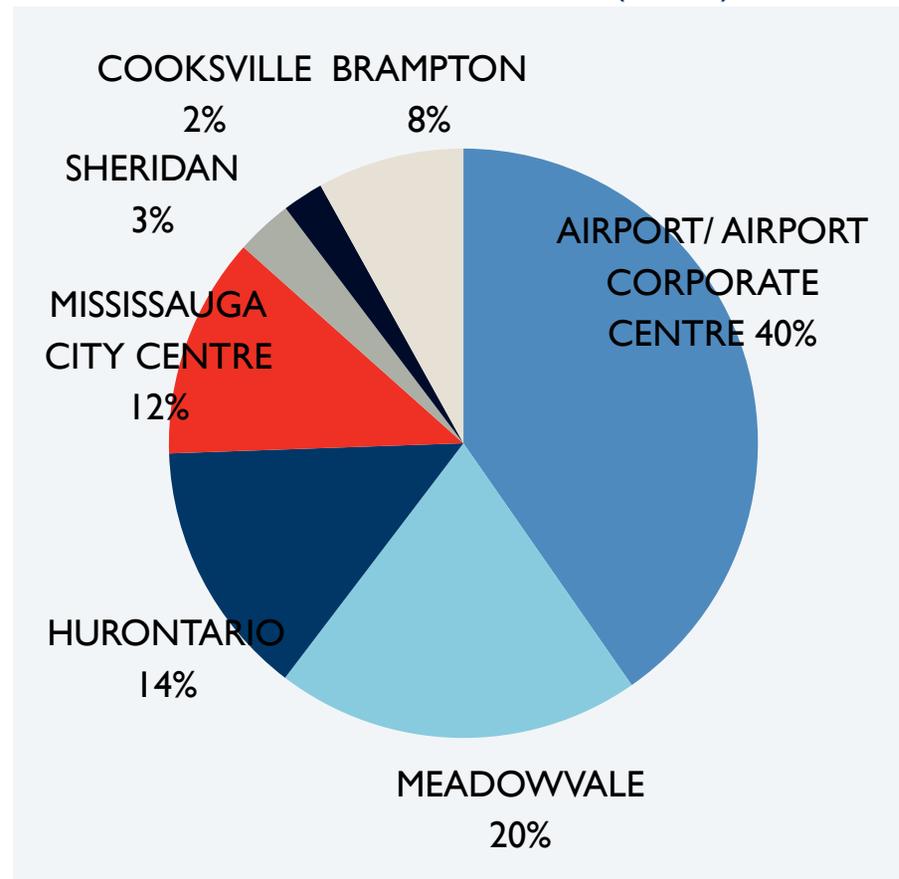
OFFICE MARKET

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PEEL – INVENTORY (2013)

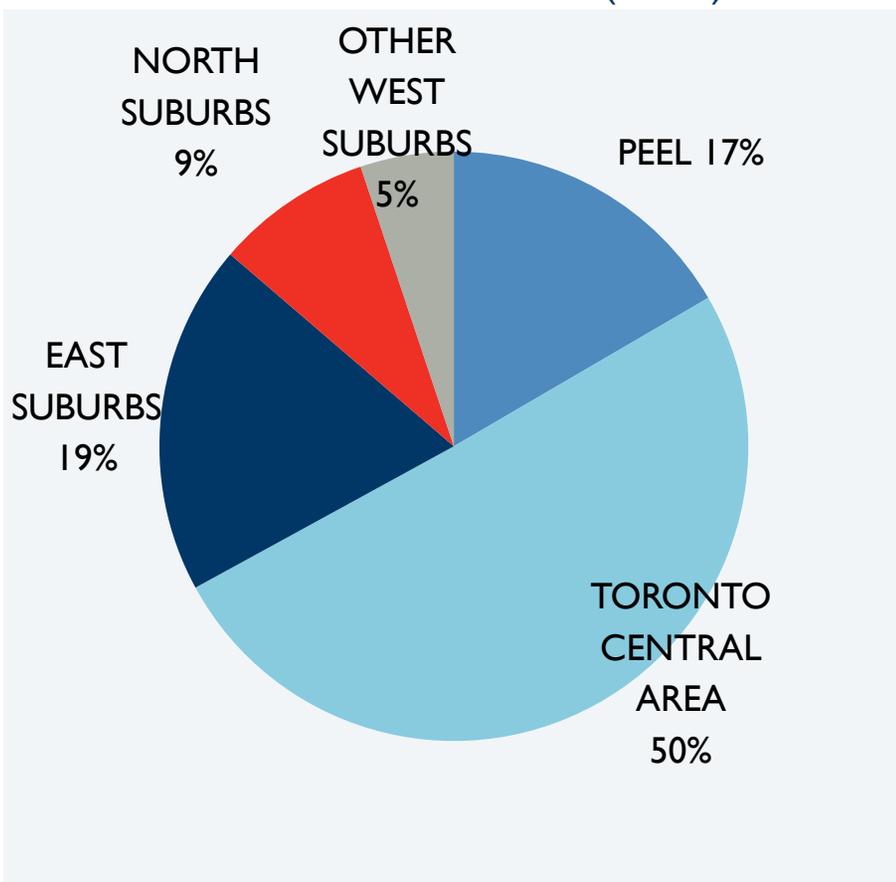


- The GTA's office inventory is evenly divided between Downtown Toronto and the Suburban markets.
- Mississauga's office inventory accounts for 15% of the total GTA supply – and 31% of the GTA Suburbs.

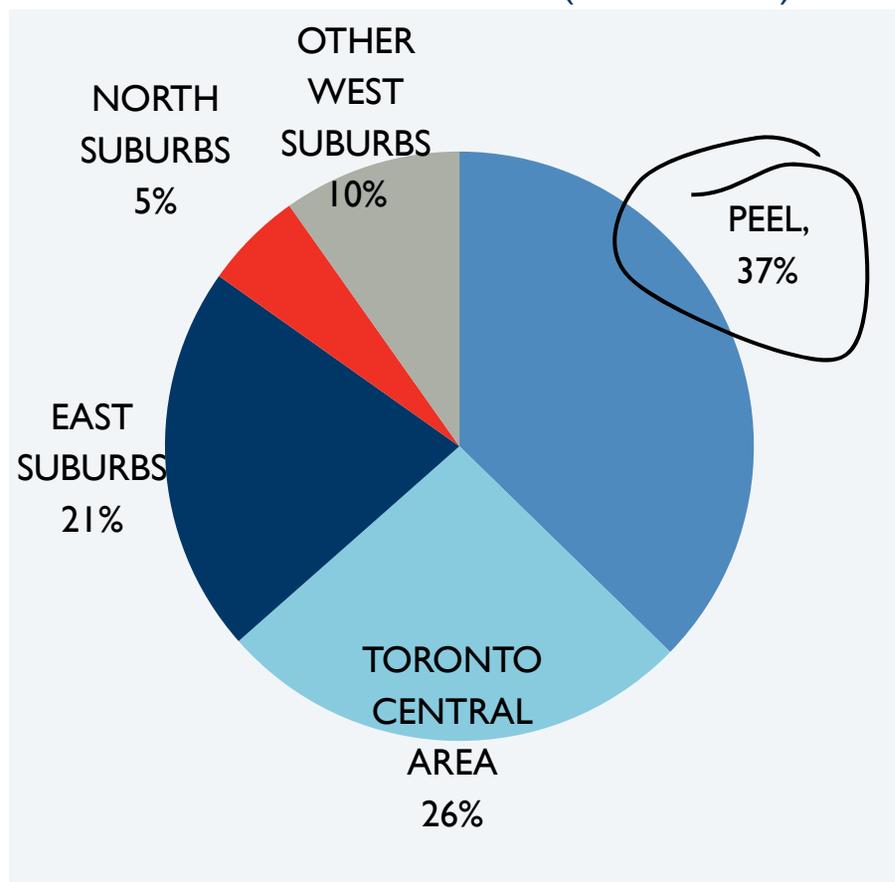
OFFICE MARKET

Inventory and New Supply Comparison

GTA – INVENTORY (2013)



GTA – NEW SUPPLY (2000-2013)

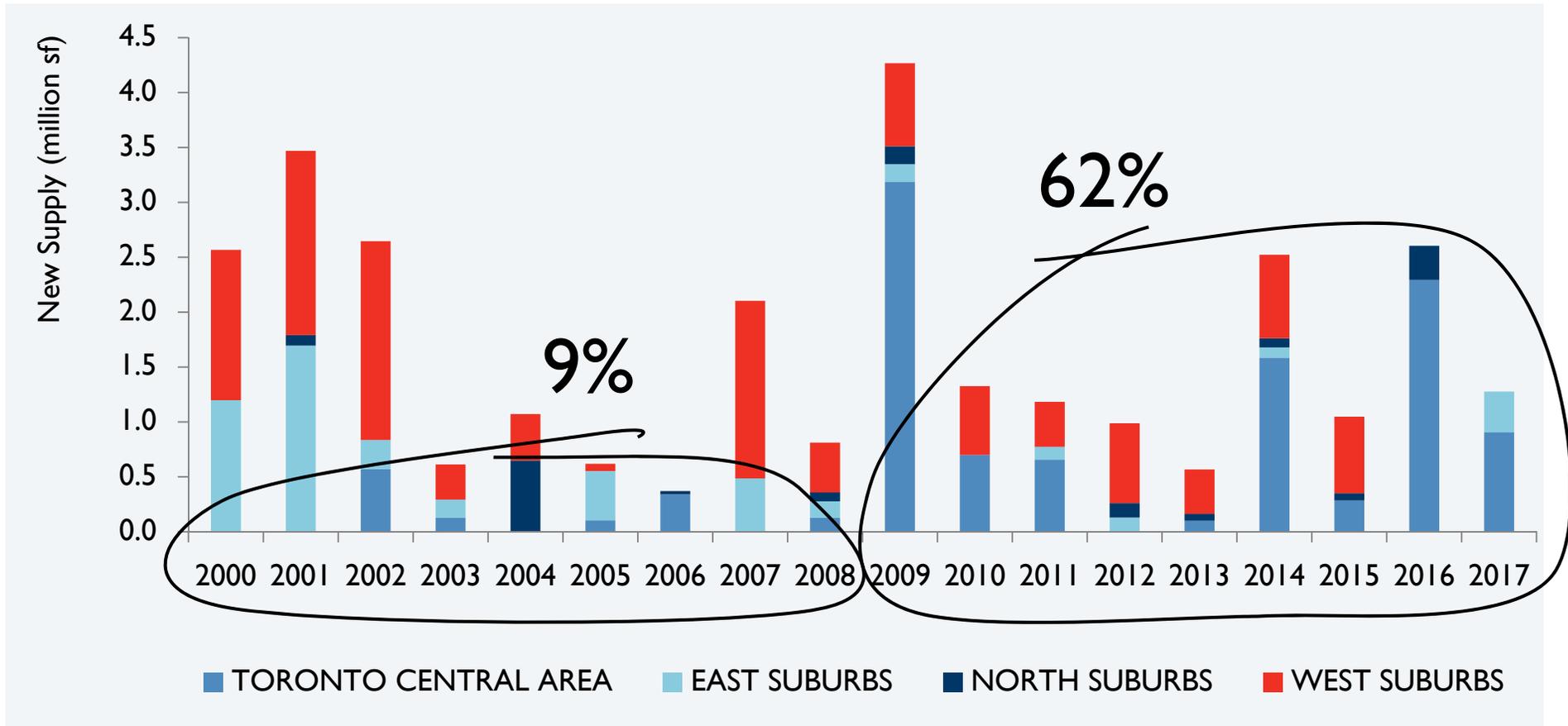


- Since 2000, Peel (really, Mississauga's four active office concentrations) has been growing at twice its share of the overall GTA office inventory.

– Airport/Airport Corporate Centre has added 3.6 million sf, and Meadowvale has added 3 million sf.

– Downtown Toronto added 3.2 million sf in year 2009 alone! (albeit little new supply prior to that).

GTA – NEW SUPPLY COMPLETED AND UNDER CONSTRUCTION



- Shift of new supply activity from Suburbs to Downtown Toronto.
 - Toronto Central Area accounted for just 9% of new office space from 2000-2008.
 - Toronto Central Area will account for 62% of new office space from 2009-2017.
 - » An additional 5 million sf from 2014-2017 in Toronto Central Area.

IMPLICATIONS FOR PEEL'S NON-RESIDENTIAL DC REVENUE

OFFICE MARKET

Implications for Peel's Non-Residential DC Revenue

- What is the importance of each metric? What does it tell us about Peel?
- Impact on non-residential Development Charge revenue outlook?
- **Absorption**
 - Absorption (“change in occupied space”) is a function of employment growth.
 - Employment growth projections are a core element of the DC Background Study.
- **New Supply**
 - New office supply pipeline moderates in Peel compared to prior years.
 - Reduced near-term DC revenue.
- **New Supply Pipeline**
 - Is the shift in office demand from Suburbs to Downtown cyclical, or structural?
 - Impacts office employment growth and correspondingly, DC revenue generation.