



LIDD
REAL ESTATE
INTELLIGENCE

GTA INDUSTRIAL: LIDD INSIGHTS Q2 2019

We are an industrial real estate brokerage that is supported by deep supply chain experience. Our expertise goes far beyond finding buildings and negotiating lease agreements. LIDD's integrated platform aligns your real estate decisions with warehouse design, material handling and WMS/ERP optimization.

We do not take listings or represent landlords. Our unbiased approach to real estate negotiation allows us to remain focused on your best interests and to street clear of any opposing agendas.

**Capital is Precious
Make Better Decisions.**



Market Facts

822,285,974

Total GTA Inventory

17,046

Total Buildings In the GTA

19

Immediately Available
Properties Over 100,000 SF

1.4%

Vacancy Rate

\$7.75

Average Net Asking Rent

MARKET OVERVIEW

The GTA industrial market continues to have the lowest vacancy rate in Canada at 1.6% at the end of 2018, as well as the lowest vacancy among any North American city with an inventory of over 200 million SF.

Overall vacancy for the GTA is expected to continue falling before levelling out at 1.2% by Q3 2019. To the detriment of occupiers searching for space, it is expected that the vacancy rate will stay below 2.0% until early 2021 as new supply and demand remain relatively balanced. As a result of this exceptionally low vacancy, annual rental rate growth remains strong, coming in at 13% by year end 2018.

The GTA continues to be the primary choice for logistics operations in the country, and regardless of the distribution model used - single, dual or decentralized approach - one of those distribution centres will be in the GTA. A perfect example of the GTA's distribution centre dominance is the case of Amazon. Of the company's seven fulfillment centres in Canada, three are within the GTA plus an additional 1M SF is currently being constructed in Caledon, Ontario.

TENANT'S CORNER

If you are like most industrial executives, you're more focused on keeping operations humming and sales growing than you are on understanding what is included in your lease.

Like most good tenants, you keep the landlord's building clean and always pay your rent on time. You typically only look at your lease document once every five years when preparing to relocate or renew.

But there are many parts of a lease that may actually expose you to more risk than you think. Potential pitfalls could come from clauses on roof repair, HVAC, asphalt, snow removal, restoration, building insurance, environmental testing, property taxes, landscaping and more.

These areas are often overlooked in an initial lease negotiation as the excitement of securing a new facility is at its peak. As a result, when you are three years into a ten year commitment, you may realize that some of the language that was not initially a big deal could come back to haunt you.

LIDD Real Estate wants to help you reduce your exposure and prevent any unwelcome surprises in the future. That's why we're running our **Complimentary Lease Review Program for the calendar year of 2019. Learn more on the next page!**

OPERATOR'S CORNER: DISTRIBUTION NETWORK DESIGN

* By Charles Fallon

Charles Fallon is a principal and the president of LIDD. He has worked with clients at all levels of the supply chain, from manufacturers to retailers, in a wide array of industries including food, pharmaceuticals, garments and construction materials.

Without stepping back to look at your entire supply chain, it's easy to let it slip out of control, leak money and hinder your market position. It's important to periodically review your distribution network design to determine the right infrastructure mix. In this quick case study, learn some of the key questions to consider during a network study.

The Situation – A foodservice distributor with 3 distribution centres acquires a smaller distributor with 2 distribution centres in the same geographic market. It hires LIDD to help develop a long-term distribution network design that integrates both operations and provides the necessary infrastructure to sustain growth and improve service levels.

Issues & Decisions – The ultimate goal in optimizing a distribution network design is to find the least-cost solution that meets a company's service level goals. "Least-cost" considers the total cost of distribution, including capital and operating costs in transportation, warehousing and carrying inventory.

Some of the questions you may ask when undertaking these studies:

- ◆ Are our customers served by the right distribution centre or should we re-balance our service regions?
- ◆ Should we re-engineer and/or expand existing warehouses? If so, when and how?
- ◆ Should any facilities be re-located and/or consolidated?
- ◆ Do any facilities change their role in my supply chain?
- ◆ Can I make fleet improvements by introducing outbound cross-docking or inbound consolidation programs?

The Results – A 10 year distribution network design was developed after studying a series of available alternatives including consolidating facilities, relocating to new, greenfield distribution centres, shifting service areas to better balance the network and expanding/re-purposing existing facilities. We developed an implementation plan that, as leases expired, reduced the total number of distribution centres from five to three.

LIDD'S COMPLIMENTARY LEASE REVIEW PROGRAM

You only get one or two chances a decade to make the right leasing decision. It is crucial that tenants understand the strengths and weaknesses of their lease in order to create a game plan for a renewal or relocation.

As an industrial real estate advisory firm, LIDD helps tenants avoid the exposures of a poor lease agreement. Throughout 2019, LIDD's real estate advisory team is offering a complimentary lease review program to industrial users.

Our team of advisors will comb through your lease and provide you with the following:

- ◆ A summary of your current situation
- ◆ A lease abstract highlighting important dates and figures
- ◆ How your rent compares to today's marketplace
- ◆ What clauses work for you and why?
- ◆ What clauses work against you and why?
- ◆ A suggested negotiation strategy as you approach expiry

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Q2 2019 Lease Metrics

AVAILABILITY	MARKET	NATIONAL INDEX
Market Ren/SF	\$7.75	\$9.95
Vacancy Rate	1.3%	2.6%
Vacant SF	10.9 M	41.6 M
Availability Rate	2.3%	3.8%
Available SF	19.3 M	63.1 M
Sublet SF	1.7 M	5.9 M
Months on Market	3.5	5.4

Q2 2019 Inventory Metrics

INVENTORY	MARKET	NATIONAL INDEX
Buildings	17,046	38,262
Inventory SF	821 M	1.6 B
Average Building SF	48.2 K	42.6 K
Under Construction SF	10.6 M	24 M
12 Month Delivered SF	3.3 M	12.6 M

* All data gathered from CoStar Group, Inc.

Trivia

1. When the barcode was rolled out in 1974, what was the first product scanned at the first grocery store to use the UPC system?

- A Wrigley's Chewing Gum
- B Kellogg's Corn Flakes
- C Campbell's Chicken Noodle Soup
- D Clairol Herbal Essence Shampoo

2. Which US state employs the most truck drivers?

- A Texas
- B Minnesota
- C California
- D Florida

3. Who is Canada's largest private employer?

- A Magna International
- B Enbridge
- C Manulife Financial
- D George Weston Ltd.

4. Based on average daily volume, what is the busiest highway system in North America?

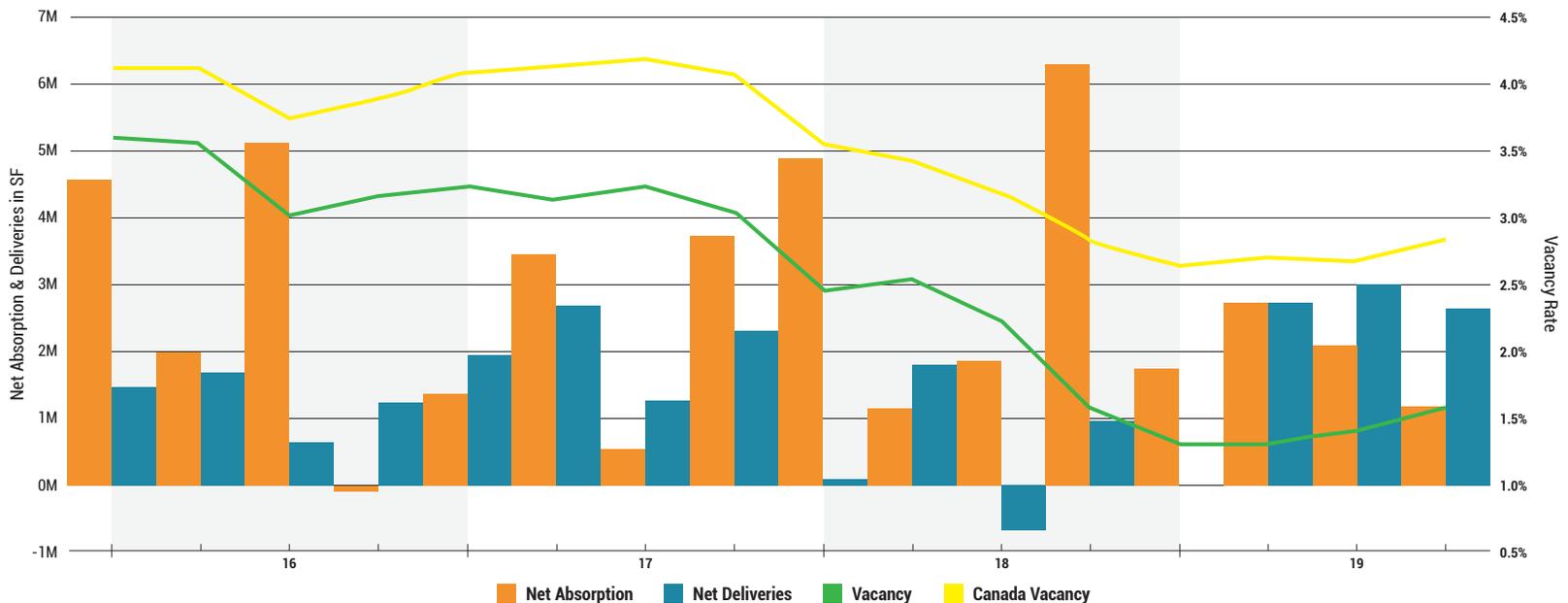
- A The I-405 in California
- B Highway 401 in Ontario
- C The John F. Kennedy Expressway in Chicago
- D The Trans Canada Highway

5. What is 'Horrea'?

- A The space between two dock doors
- B The ingredient that gives hot asphalt its distinct smell
- C A public warehouse used by the Ancient Romans
- D The Halifax Office Regional Real Estate Association

TRIVIA ANSWERS:
1A; 2A; 3D; 3D; 4B; 5C

Net Absorption, Net Deliveries & Vacancy:



LIDD CASE STUDY:

ReTrans

A Kuehne + Nagel Company

Company: In August 2015, ReTrans Canada was acquired by Kuehne + Nagel (SWX: KNIN), one of the world's largest logistics providers.

Challenge: Faced with an upcoming lease expiry at their Toronto distribution centre, ReTrans needed to make a strategic decision about whether they would extend the lease on their 86,000 SF building or consolidate into Kuehne + Nagel's vast portfolio.

Response: LIDD Real Estate was engaged to begin a direct dialogue with ReTrans' existing landlord and to evaluate other opportunities in the marketplace.

Part of this evaluation would require leasing terms that were flexible and well aligned with the mandate of a parent company that possesses over 1,000 locations.

Solution: LIDD ran a competitive process that considered various opportunities in the marketplace. Ultimately, a fact-based decision was made for ReTrans to remain at their existing 86,000 SF facility upon terms and conditions that were suitable for both ReTrans and their landlord.

LIDD SERVICES



Real Estate Advisory



Real Estate Brokerage



Operational Audit/Engineering



Facility Engineering



I.T Services

TEAM :



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