

Windsor Industrial, Q1 2017

Windsor-Essex continues to experience a shortage of space

▼ Vacancy Rate
0.8%

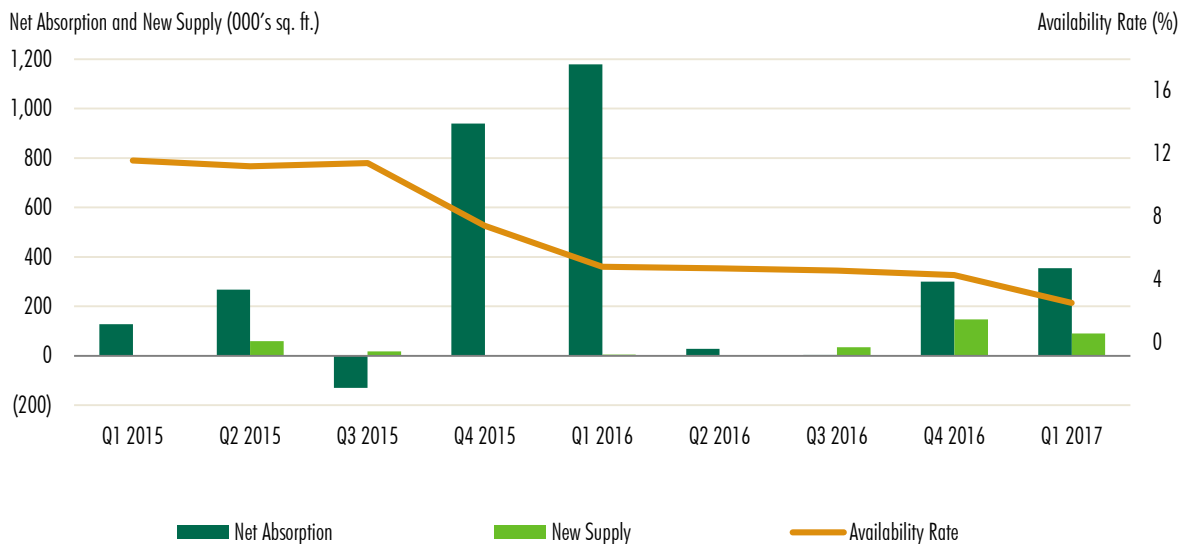
▼ Availability Rate
2.5%

▲ Net Asking Rental Rate
\$4.54 PSF

▼ Under Construction
57,184 SF

*Arrows indicate change from previous quarter.

Figure 1: Q1 2017 Industrial Market Fundamentals



Source: CBRE Research, Q1 2017.

- The Windsor-Essex vacancy rate declined for the sixth consecutive quarter, down to 0.8% in Q1 2017 compared to 2.0% in Q4 2016.
- The availability rate has decreased in Q1 2017 to 2.5% from 4.3% in Q4 2016.
- The market remains extremely tight for product in the Windsor-Essex market. This is especially evident when looking for space over 50,000 sq. ft., a trend that is being experienced down the 401 Corridor from Guelph to Windsor.
- Higher availabilities are being seen for smaller units, with several options available in the 1,000-5,000 sq. ft. range.
- Space is particularly difficult to find for users, whereas more options are available for occupiers.
- Many areas are offering incentives for new facilities and new companies looking to grow or locate within Essex county. For example, reduced or zero development charges for industrial buildings.

The Windsor-Essex market continues to struggle with a shortage of space. This trend is particularly evident with large buildings over 50,000 sq. ft. that are available for sale. The majority of space available within the market is smaller units, and more space is available for lease than for sale. Large users looking to purchase are having the greatest difficulty with the shortage of supply, especially if they are looking for Class A facilities. With the availability rate being so low, users and occupiers are having a difficult time finding space that suits their needs. Demand continues to be high, with local startups the most active users/occupiers in Q1 2017. Additionally, the trade industry has been the most active sector looking for space at the beginning of 2017. Windsor-Essex is in high demand due to its geographical location, and new companies remain interested and existing companies continue to invest in.

Figure 2: Q1 2017 Industrial Market Statistics

| Market | Inventory (SF) | Net Absorption (SF) | Under Construction (SF) | Average Asking Lease Rate (\$/SF) | Vacancy Rate (%) | Availability Rate (%) |
|-----------------------|-------------------|---------------------|-------------------------|-----------------------------------|------------------|-----------------------|
| Amherstburg | 1,612,340 | (5,800) | - | N/A | 0.9 | 1.5 |
| Essex | 248,983 | - | - | N/A | 0.0 | 0.0 |
| Harrow | 816,002 | - | - | N/A | 0.0 | 0.0 |
| Kingsville | 1,476,560 | - | - | N/A | 0.0 | 0.5 |
| Lakeshore | 5,279,056 | (97,312) | 20,000 | 6.53 | 0.8 | 2.6 |
| LaSalle | 816,292 | 3,539 | - | N/A | 0.0 | 0.0 |
| Leamington | 4,130,930 | 16,000 | - | 6.73 | 0.2 | 0.2 |
| Tecumseh | 7,144,303 | 85,233 | - | 6.25 | 1.4 | 2.2 |
| Windsor Central North | 22,407,937 | 213,325 | 5,000 | 4.02 | 1.1 | 3.8 |
| Windsor Central South | 7,263,124 | 35,454 | 32,184 | 5.76 | 0.2 | 2.7 |
| Windsor West | 4,975,398 | 104,610 | 48,252 | 5.95 | 0.5 | 0.5 |
| Windsor Total | 56,170,925 | 355,049 | 57,184 | 4.54 | 0.8 | 2.5 |

Source: CBRE Research, Q1 2017.

Figure 3: Q1 2017 Top Transactions

| Size (SF) | Tenant/Purchaser | Address |
|-----------|---------------------------|----------------------------------|
| 64,000 | 1185696 Ontario Ltd.* | 675 Tecumseh Road West, Windsor |
| 57,228 | Wilsondale Ventures Inc.* | 7675 Tranby Avenue, Windsor |
| 21,358 | 2559671 Ontario Ltd.* | 1151 Tecumseh Road West, Windsor |

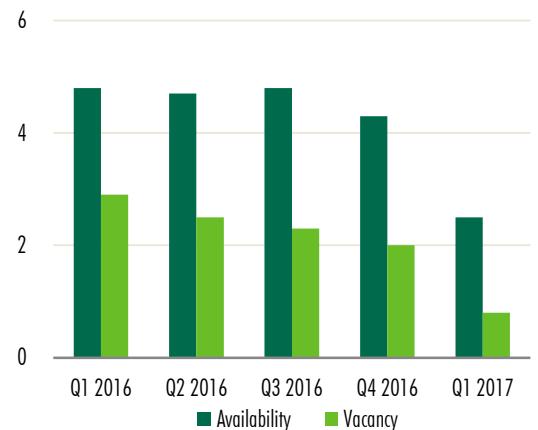
*Purchase, **Renewal

Source: CBRE Research, Q1 2017.

AVAILABILITY AND VACANCY RATES

The vacancy rate in Windsor-Essex declined for the sixth consecutive quarter in Q1 2017, down 120 basis points (bps) to 0.8% compared to Q4 2016. Year-over-year, vacancy decreased 210 bps compared to 2.9% posted in Q1 2016. In Q1 2017, all Windsor nodes, LaSalle and Tecumseh experienced decreases in vacancy rates, whereas all other markets experienced no change. The availability rate has decreased for the second consecutive quarter, down to 2.5% in Q1 2017 compared to 4.3% in Q4 2016. Year-over-year the availability rate has decreased 230 bps compared to 4.8% in Q1 2016. Quarter-over-quarter, Lakeshore and Amherstburg were the only markets to post increased availability rates.

Figure 4: Q1 2017 Availability & Vacancy Rates (%)



Source: CBRE Research, Q1 2017.

AVERAGE ASKING NET LEASE RATES

After average asking net lease rates decreased in Q4 2016, Q1 2017 saw an increase of \$0.10 per sq. ft. to \$4.54 per sq. ft. net. As can be seen in Figure 5, average asking rates have remained stable around \$4.50 per sq. ft. since Q1 2016. Lakeshore, Central South Windsor and West Windsor experienced increases in Q1 2017. The greatest change occurred in Lakeshore moving from \$4.26 per sq. ft. net in Q4 2016 to \$6.73 per sq. ft. net in Q1 2017. Tecumseh and Central North Windsor experienced decreases in the same period, with Tecumseh posting the most significant change, decreasing \$0.27 per sq. ft. to \$6.25 per sq. ft. net in Q1 2017.

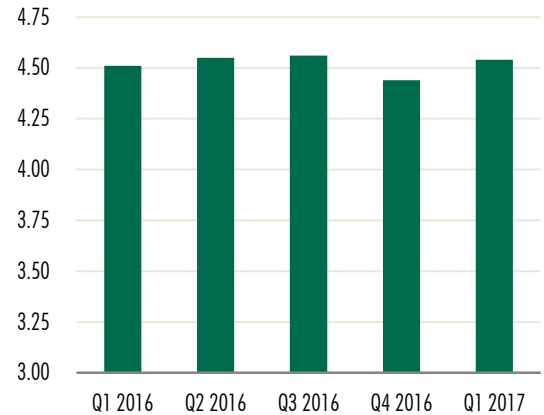
NET ABSORPTION

The Windsor-Essex market achieved positive net absorption for the sixth consecutive quarter, posting 355,049 sq. ft. of net absorption in Q1 2017. Central North Windsor experienced the highest positive absorption, attaining 213,325 sq. ft. of net absorption in Q1 2017. West Windsor followed closely behind, posting positive 104,610 sq. ft. of net absorption in Q1 2017. Additionally Tecumseh, Central South Windsor, Leamington and LaSalle experienced positive absorption. Only Lakeshore and Amherstburg experienced negative absorption in Q1 2017, posting negative 97,312 sq. ft. and negative 5,800 sq. ft., respectively. All other nodes experienced no change in Q1 2017.

UNDER CONSTRUCTION

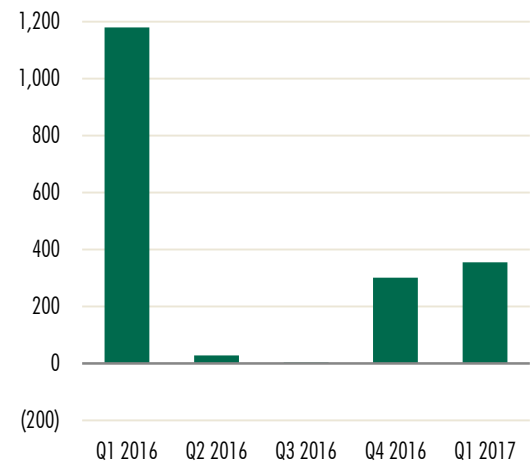
In Q1 2017, Windsor-Essex had 57,184 sq. ft. of industrial product under construction. Construction currently underway is occurring within the City of Windsor, with one new building under construction and two additions being completed. Additionally there was 90,173 sq. ft. of new supply added to the market in Q1 2017. All of the new supply tracked in Q1 2017 occurred within the City of Windsor, with 86% of the activity involving additions to existing facilities. Comparatively, Q1 2016 had 260,717 sq. ft. under construction and brought 4,553 sq. ft. of new supply to the market.

Figure 5: Average Asking Net Lease Rates (\$ per sq. ft.)



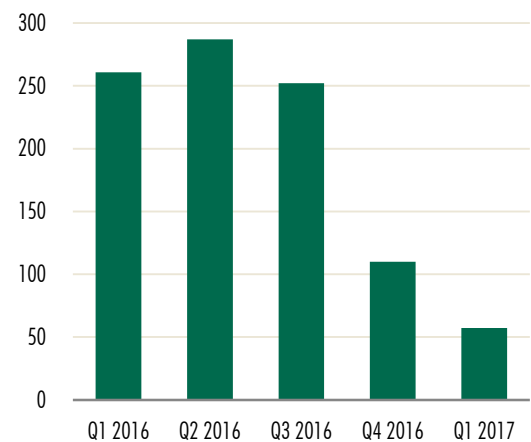
Source: CBRE Research, Q1 2017.

Figure 6: Net Absorption (000's sq. ft.)



Source: CBRE Research, Q1 2017.

Figure 7: Under Construction (000's sq. ft.)



Source: CBRE Research, Q1 2017.


WINDSOR INDUSTRIAL

The Windsor industrial market consists of the City of Windsor and the surrounding major cities in the County of Essex. The City of Windsor is divided into submarkets of the North, South and West with a total inventory of 34,646,459 sq. ft.

The major cities in Essex County account for an additional 21,524,466 sq. ft. of inventory.

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