

Windsor Industrial, Q2 2017

# Minor availability increases occurring, supply remains low

 Vacancy Rate  
**1.4%**

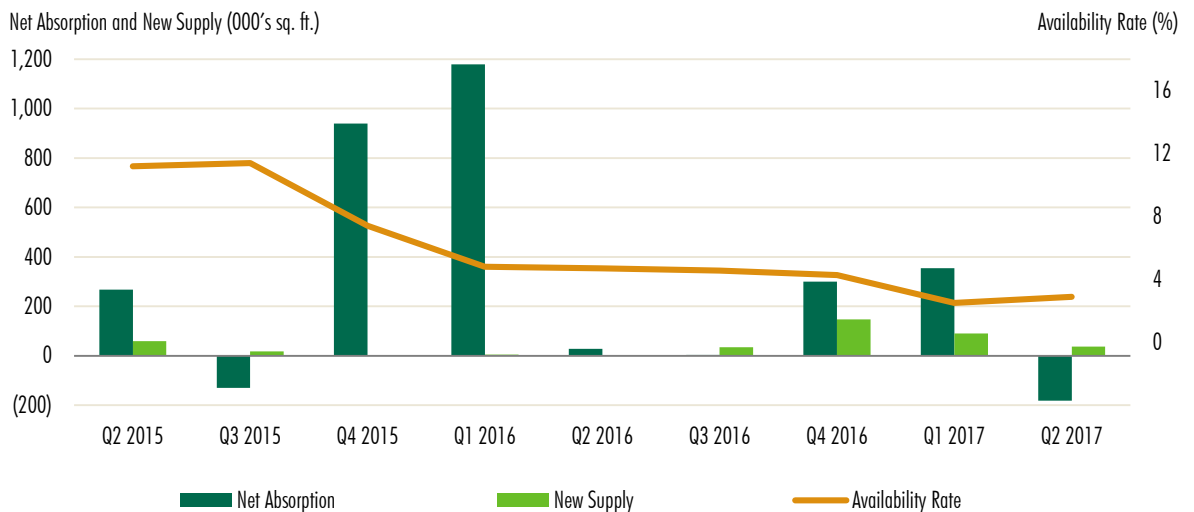
 Availability Rate  
**2.9%**

 Net Asking Rental Rate  
**\$4.92 PSF**

 Under Construction  
**20,000 SF**

\*Arrows indicate change from previous quarter.

Figure 1: Q2 2017 Industrial Market Fundamentals



Source: CBRE Research, Q2 2017.

- The Windsor-Essex market is extremely tight for industrial product, with low vacancy and availability. This trend is particularly evident when facilities over 50,000 sq. ft. are required, a trend that has been occurring along the 401 Corridor from Guelph to Windsor.
- After decreasing for sixth consecutive quarters, the Windsor-Essex industrial vacancy rate increased in Q2 2017 to 1.4% from 0.8% in Q1 2017.
- The availability rate increased 40 bps to 2.9% in Q2 2017 compared to 2.5% in Q1 2017.
- Supply of product available for sale remains more difficult to acquire, where space for occupiers has higher availabilities, particularly for those searching for options in the 1,000-5,000 sq. ft. range.
- Q2 2017 had 20,000 sq. ft. of industrial product under construction in Lakeshore, with 37,184 sq. ft. of new supply added within the City of Windsor.
- The trade sector continues to be the most active industry in the Windsor-Essex market in Q2 2017.

Although the Windsor-Essex market experienced an increase in vacancy and availability in Q2 2017, it still remains remarkably low and the market struggles with a shortage of supply. There is some availability for those looking to lease in the smaller sizes, but anyone looking to purchase or needing 50,000 square feet or larger in particular will have very few, if any, options to choose from. Class A industrial in particular is experiencing a real shortage, which is a similar trend to other large cities in Canada especially along the Highway 401 corridor from Guelph to Windsor-Essex. What differs for the Windsor-Essex region is the lack of new supply to meet the demand. While demand is high, builders are cautious in this market due to the most recent recession, its dependence on the automotive industry and the typical shorter term or flexible contracts in this industry, its border location and the influence of other additional external factors.

Figure 2: Q2 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	-	-	7.50	0.9	1.5
Essex	248,983	-	-	N/A	0.0	0.0
Harrow	816,002	-	-	N/A	0.0	0.0
Kingsville	2,070,253	7,000	-	N/A	0.0	0.0
Lakeshore	5,285,420	(6,364)	20,000	N/A	2.6	2.8
LaSalle	816,292	-	-	N/A	0.0	0.0
Leamington	4,130,930	-	-	6.73	0.2	0.2
Tecumseh	7,154,040	(30,739)	-	6.22	1.9	2.6
Windsor Central North	22,403,759	(47,497)	-	4.39	1.4	4.0
Windsor Central South	7,295,308	3,713	-	6.01	0.8	3.1
Windsor West	4,954,398	(107,191)	-	6.41	2.6	2.7
<b>Windsor Total</b>	<b>56,787,725</b>	<b>(181,078)</b>	<b>20,000</b>	<b>4.92</b>	<b>1.4</b>	<b>2.9</b>

Source: CBRE Research, Q2 2017.

Figure 3: Q2 2017 Top Transactions

Size (SF)	Tenant/Purchaser	Address
44,100	Gates Canada Inc.**	3303 St. Etienne Boulevard, Windsor
31,200	2153012 Ontario Ltd.*	815 Sydney Avenue, Windsor
24,000	1890976 Ontario Inc.*	1740 Moro Drive, Tecumseh

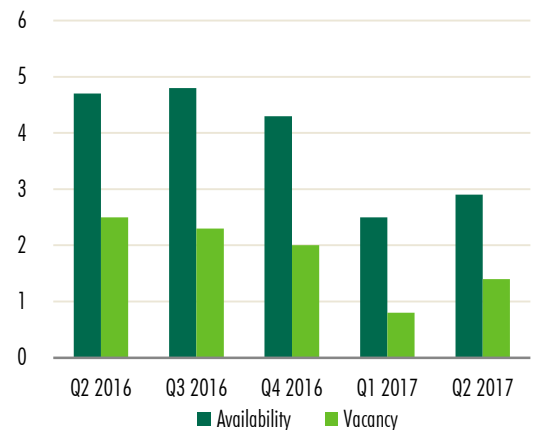
\*Purchase, \*\*Renewal

Source: CBRE Research, Q2 2017.

**AVAILABILITY AND VACANCY RATES**

After decreasing for the last six consecutive quarters, the vacancy rate in Windsor-Essex increased 60 basis points (bps) to settle at 1.4% in Q2 2017. Year-over-year, vacancy decreased 110 bps compared to 2.5% in Q2 2016. Lakeshore, Tecumseh, and all Windsor markets experienced increased vacancy quarter-over-quarter, while the remaining markets had no change. Lakeshore posted the greatest increase, up to 2.6% in Q2 2017 compared to 0.8% in Q1 2017. The availability rate increased 40 bps quarter-over-quarter to land at 2.9% in Q2 2017. Kingsville was the only market to experience a decrease in availability, whereas Tecumseh, and all Windsor markets posted increases.

Figure 4: Q2 2017 Availability & Vacancy Rates (%)



Source: CBRE Research, Q2 2017.

**AVERAGE ASKING NET LEASE RATES**

Average asking net lease rates increased in Q2 2017 to \$4.92 per sq. ft. net, compared to \$4.54 per sq. ft. net in Q1 2017. All markets within the City of Windsor experienced increases in Q2 2017, with the West increasing \$0.46 per sq. ft. to \$6.41 per sq. ft. net, Central North increasing \$0.37 per sq. ft. to \$4.39 per sq. ft. net, and Central South increasing \$0.25 per sq. ft. to \$6.01 per sq. ft. net. Tecumseh was the only market to experience a decrease, with a minor change from \$6.25 per sq. ft. net in Q1 2017 to \$6.22 per sq. ft. net in Q2 2017. Year-over-year, average asking net lease rates have increased \$0.37 per sq. ft. from \$4.55 per sq. ft. net in Q2 2016.

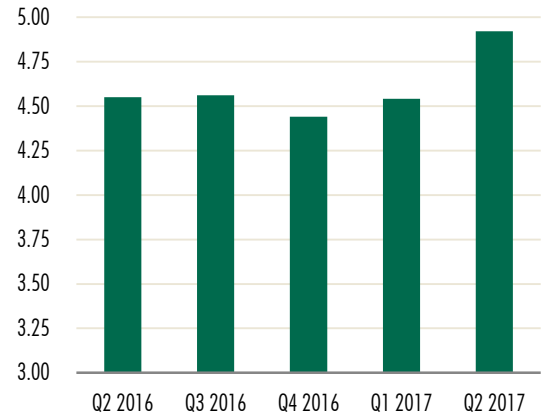
**NET ABSORPTION**

After achieving positive net absorption for the past six quarters, the Windsor-Essex market experienced negative 181,078 sq. ft. of net absorption in Q2 2017. West Windsor posted the largest negative absorption, at negative 107,191 sq. ft. of net absorption, with Central North Windsor, Tecumseh and Lakeshore also posting negative absorption at negative 47,497 sq. ft., negative 30,739 sq. ft. and negative 6,364 sq. ft. of net absorption, respectively. However, Kingsville and Central South Windsor experienced positive 7,000 sq. ft. and positive 3,713 sq. ft. of net absorption, respectively. Year-to-date, the Windsor-Essex market has achieved positive 173,971 sq. ft. of net absorption.

**UNDER CONSTRUCTION**

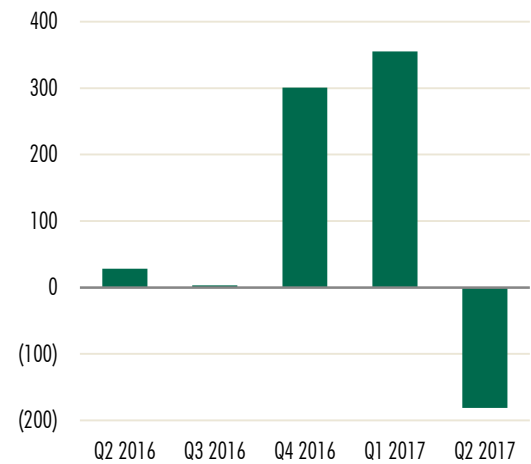
Windsor-Essex had 20,000 sq. ft. of industrial product under construction in Q2 2017 occurring within Lakeshore. Additionally, 37,184 sq. ft. of new supply was added to the market in Q2 2017, with 32,184 sq. ft. completed in Central South Windsor and 5,000 sq. ft. being completed in Central North Windsor. All new supply added into the market in Q2 2017 was the result of additions being completed to existing industrial facilities. Comparatively, Q2 2016 had 287,153 sq. ft. of product under construction and with zero new supply added to the market.

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



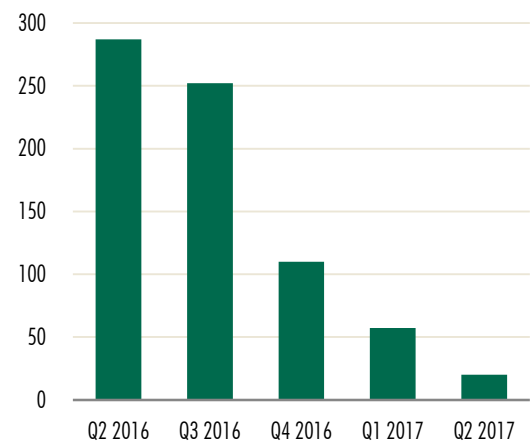
Source: CBRE Research, Q2 2017.

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



Source: CBRE Research, Q2 2017.

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



Source: CBRE Research, Q2 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 34,653,465 sq. ft.

The major cities in Essex County account for an additional 22,134,260 sq. ft. of inventory.

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