METRO AREAS - POPULATION > 1 MILLION

Fourth Quarter | 2018

Colliers INTERNATIONAL
Accelerating success.

Indicator	VANCOUVER Q4'17	VANCOUVER Q4'18	VANCOUVER YOY	CALGARY Q4'17	CALGARY Q4'18	CALGARY YOY	EDMONTON Q4'17	EDMONTON Q4'18	EDMONTON YOY
Vacancy CMA	1.9%	1.6%	▼ 30 bps	5.8%	4.9%	▼ 160 bps	7.6%	6.6%	▼ 40 bps
Net Rent CMA	$9.73	$11.17	▲ 14.8%	N/A**	N/A**	N/A**	$10.25	$10.27	▼ 3.7%
Industrial Employment Growth 18' / '19-22'	9.8% / 0.4%			8.0% / 0.7%			4.6% / 1.7%		
Industrial GDP Growth 18' / '19-22'	2.5% / 1.9%			2.0% / 2.7%			2.3% / 2.5%		
Real GDP Growth '18 / '19-'22*	2.6% / 1.8%			2.5% / 2.5%			2.3% / 2.4%		

Indicator	TORONTO Q4'17	TORONTO Q4'18	TORONTO YOY	OTTAWA Q4'17	OTTAWA Q4'18	OTTAWA YOY	MONTREAL Q4'17	MONTREAL Q4'18	MONTREAL YOY
Vacancy CMA	0.7%	0.6%	▼ 30 bps	3.7%	2.0%	▼ 70 bps	3.3%	2.5%	▼ 130 bps
Net Rent CMA	$6.31	$7.26	▲ 2.2%	$10.48	$10.72	▲ 2.8%	$5.48	$5.74	▲ 5.9%
Industrial Employment Growth 18' / '19-22'	3.0% / 1.2%			6.7% / -0.3%			2.3% / 0.1%		
Industrial GDP Growth 18' / '19-22'	1.4% / 2.2%			3.1% / 2.3%			2.7% / 1.6%		
Real GDP Growth '18 / '19-'22*	2.3% / 2.6%			2.0% / 1.9%			2.9% / 1.7%		

Vancouver

The Metro Vancouver industrial vacancy rate of 1.6% in Q4 2018 remains well below the five-year average of 2.4% and 10-year average of 3.2%. Vacancy has been below 2.0% for seven consecutive quarters. There was 655,752 square feet of positive absorption in Q4 2018. This is a decrease from the previous quarter's absorption of 1,313,282 square feet. However, Vancouver has now recorded 22 consecutive quarters of positive absorption which highlights the consistently strong market demand. 803,158 square feet of new supply came to market this quarter with 130,380 square feet or 16% of total new supply being build-to-suit. Out of the remaining speculatively developed supply approximately 82% was pre-sold or pre-leased. Over the past five years the average amount of new supply per quarter was 781,262 square feet. Metro Vancouver's constrained land base coupled with strong demand for industrial space continues to put upward pressure on industrial land values and lease rates – the weighted average asking triple net rent increased by 14.8% year over year, the largest year over year increase in the past five years.

Calgary

Overall vacancy in Calgary's industrial market currently sits at 4.9%, down 90 basis points in the past year. Q4 2018 marked the ninth consecutive quarter of reduced vacancy in the market, and several other key market indicators also improved steadily throughout the year displaying the industrial growth in Calgary. Large bay warehouses continue to be the most sought after product in the market as Calgary establishes itself as a growing western Canadian distribution hub for e-commerce. Several large developments are expected to reach completion during the first two quarters of 2018 which will likely result in a slight increase in vacancy. However, with even more speculative developments being planned, it is hard to ignore the positive message from developers and landlords portrayed by their continual investment in Calgary's industrial market.

Edmonton

The Greater Edmonton vacancy rate ended the 2018 year at 6.6%, down 40 basis points year-over-year. Despite a turbulent economic climate, particularly with the halt of the Trans Mountain pipeline, the fact vacancy managed to steadily decrease over the year is a positive sign for the future of the Greater Edmonton Area. The unemployment rate also saw decreases, the likes of which were last seen in 2015. Further, industrial employment growth is projected to be 1.7% for the next several years. The Leduc/Nisku market continues to be an enticing option for new facilities, with the most notable new tenant being Amazon who announced a 1 million square foot facility in the area. Aside from the Amazon facility, no other substantial construction projects were announced this quarter however a total of 280,000 square feet of new space was completed across the region with 2.7 million square feet of space still under construction.

Toronto

The GTA availability rate decreased to 1.4% in Q4 2018, down 59 basis points YoY, maintaining historically low levels. Strong tenant demand has pushed rental rates in the GTA up from $6.31 to $7.26 per square foot (15% YoY), outperforming last quarter's annual rental growth rate of 10%. An annual rental growth rate exceeding 15% has only occurred once in the past five years. In particular, rental rates in the GTA Central increased from $5.69 to $7.04 (24% YoY) per square foot. GTA finished the year with strong absorption, reaching more than 3.2 million square feet in Q4 2018, 75% (2.4 million square feet) of which came from GTA West. Supply and demand imbalances continue to fuel speculative developments including the announcement of UPS securing up a brand new 850,000 square feet facility on Coleraine Drive in Caledon. GTA finished the year with strong absorption, reaching more than 3.2 million square feet in Q4 2018.

Ottawa

The industrial rental market continues to tighten, with availability having dropped just over 300 bps over the last two years. Average net rental rates have changed to reflect increased demand and fewer alternatives, increasing nearly 9.0% over the same time period. Companies in search of space this quarter were primarily in distribution, an industry that is expanding due to growth in the e-commerce market. Tenants with large requirements have limited options available, as there are curently only 7 options for over 20,000 square feet in the market at present.

Montreal

The Montreal market is tightening as buildings in the 100,000 SF range are not readily available, and when they come to market, they are sold or leased quickly. Spec buildings are costly to build and get built once developers have signed contracts with tenants or owners. Available inventory is older with lower clear height. Tenant demand is out pacing market offering.

*Source: Conference Board of Canada
**Net rental rate not tracked during this quarter
YoY: Year over Year comparison
QoQ: Quarter over Quarter comparison

Metro Areas - Population > 1 Million

Fourth Quarter 2018 | Industrial Dashboard Reports

REGIONAL AUTHORS:

CRAIG HENNIGAR
Director, Market Intelligence | Canada
Dir +1 604 692 1452
Main +1 604 681 4111 | Fax +1 604 661 0849
craig.hennigar@colliers.com

ANDREW ROJEK
Manager, Market Intelligence | Western Canada
Dir +1 604 662 2667
Main +1 604 681 4111 | Fax +1 604 661 0849
andrew.rojek@colliers.com

ALISON COLLINS
Marketing & Market Intelligence Coordinator | Ottawa
Dir +1 613 683 2226
Main +1 613 567 8050 | Fax +1 613 567 8035
alison.collins@colliers.com

LOCAL MARKET CONTACTS:

SCOTT SUTHERLAND
Market Intelligence Coordinator | Vancouver
Dir +1 604 692 1492
Main +1 604 681 4111 | Fax +1 604 661 0849
scott.sutherland@colliers.com

PATRICK LEE
Market Intelligence Coordinator | Calgary
Dir +1 403 215 8827
Main +1 403 266 5544 | Fax +1 403 265 6495
patrick.lee@colliers.com

SPENCER SCHULZE
Market Intelligence Coordinator | Edmonton
Dir +1 780 969 2993
Main +1 780 420 1585
spencer.schulze@colliers.com

MAX SHAPINKO
Market Intelligence Coordinator | Toronto
Dir +1 416 791 7256
Main +1 416 777 2200 | Fax +1 416 777 2277
max.shapinko@colliers.com

VISHAL RAJAN
Market Intelligence Analyst | Toronto
Dir +1 416 620 2867
Main +1 416 777 2200 | Fax +1 416 777 2277
vishal.rajan@colliers.com

LEO LEE
Senior Market Intelligence Analyst | Toronto
Dir +1 416 620 2839
Main +1 416 777 2200 | Fax +1 416 777 2277
leo.lee@colliers.com

MICHELINE ZAKEM
Market Intelligence Coordinator | Montreal
Dir +1 514 764 2838
Main +1 514 866 1900 | Fax +1 514 764 2850
micheline.zakem@colliers.com

Source: Conference Board of Canada/Colliers International

Colliers INTERNATIONAL

Accelerating success.