

METRO AREAS - POPULATION > 1 MILLION

Third Quarter | 2018

	VANCOUVER			CALGARY			EDMONTON			TORONTO			OTTAWA			MONTREAL		
Indicator	Q3'17	Q3'18	YOY	Q3'17	Q3'18	YOY	Q3'17	Q3'18	YOY	Q3'17	Q3'18	YOY	Q3'17	Q3'18	YOY	Q3'17	Q3'18	YOY
Vacancy CMA	1.8%	1.5%	▼ 30 bps	6.3%	4.7%	▼ 160 bps	6.8%	6.4%	▼ 40 bps	0.9%	0.6%	▼ 30 bps	2.5%	1.8%	▼ 70 bps	4.0%	2.7%	▼ 130 bps
Net Rent CMA	\$9.84	\$11.19	▲ 13.7%	N/A**	\$9.57	N/A**	\$10.25	\$9.87	▼ 3.7%	\$6.23	\$6.37	▲ 2.2%	\$10.21	\$10.50	▲ 2.8%	\$5.46	\$5.78	▲ 5.9%
Industrial Employment Growth 18' / '19-'22*	3.5% / 0.6%			7.6% / 1.5%			4.0% / 1.6%			2.3% / 0.6%			4.6% / -0.4%			2.3% / 0.3%		
Industrial GDP Growth 18' / '19-'22*	2.8% / 2.0%			3.4% / 2.7%			3.2% / 2.5%			1.9% / 2.2%			1.6% / 2.4%			2.2% / 1.7%		
Real GDP Growth '18 / '19-'22*	2.9% / 2.3%			2.9% / 2.5%			2.8% / 2.4%			2.4% / 2.4%			2.2% / 1.9%			2.1% / 1.7%		

Vancouver

Quarterly absorption was 1,313,282 SF, representing a 262 basis point annualized growth in occupancy. At present Vancouver has approximately 20 months of supply of industrial space based on the current vacancy and premises under construction. While occupancy is still growing, the rate of growth in the past quarter is down from the annualized year to date rate of 4.0%. At 1.5% vacancy, Vancouver's industrial market continues to experience vacancy rates well below the five-year average of 2.6%. Notable large-scale projects that completed construction this quarter include:

- Delta iPort - Building 1, totaling 454,000 square feet has been fully leased by Amazon as a fulfillment centre. Announced on September 27, 2018, this is the third major fulfillment centre to be developed by Amazon for Canada in the past six months.
- Delta Link Business Centre - Phase 2, totaling 133,765 square feet.

Calgary

Overall vacancy went down to 4.7% (down 133 basis points in the past year) and Calgary has approximately 2.6 years of supply of industrial space based on the current vacancy and premises under construction. Q3 2018 is the 8th consecutive quarterly drop in overall market vacancy. Although there was limited new supply this quarter, significant new inventory is anticipated to reach completion in 2018 Q4 or 2019 Q1, which may result in an increase in vacancy. Tenant demand lies primarily in the large-bay market (40,000 SF +) overall and around the airport for distribution and logistics companies. The industrial sales market and investment market are still strong and active throughout the third quarter of 2018.

Edmonton

Edmonton's year to date absorption is almost 3.2M SF showing very strong growth in the industrial market overall. Of this absorption, almost 2M SF was recorded this quarter. Despite the absorption, the vacancy rate remained essentially unchanged as new supply was almost equal to absorption. Edmonton has the highest vacancy rate of all cities over 1M population at present, albeit this is only 6.4% overall. Leduc/Nisku saw a substantial amount of new space added to the inventory as a number of large projects wrapped up construction. Of note are the Aurora Cannabis Facility (800,000 SF) and the new Ford Distribution space (400k SF). No new substantial construction projects have started this quarter, likely due to the former uncertainty surrounding NAFTA negotiations and the halting of the Trans Mountain Pipeline expansion. Many developers have been waiting to see how those resolve before making any moves. Edmonton has approximately 2.4 years of supply of industrial space based on the current vacancy and premises under construction.

Toronto

Industrial availability in the GTA decreased to 1.40% in Q3 2018, declining by -93bps YoY, reaching historic low levels. Presently the GTA has approximately 3.2 years of supply of industrial space based on the current vacancy and premises under construction. Strong tenant demand has pushed rental rates in the GTA up from \$6.23 to \$6.85 per square foot, a 10.0% YoY increase. The GTA East recorded the highest rental growth of 20.9% YoY as average asking net rents increased from \$5.12 to \$6.19 per square foot. The GTA had a net new supply of 277,307 square feet with almost all of it coming from Mississauga. The largest leasing transaction of Q3 was Amazon's lease of a planned speculative property on Coleraine Drive in Caledon. In Q3, the average price per square foot of an industrial investment transaction in the GTA was \$149.41 per square foot, a decrease of less than one dollar when compared to the same period one year ago.

Ottawa

Vacancy has dropped to 1.8% and with little new construction there is a looming shortage of industrial space. At present there are only 18 months of supply left before the market is depleted. Annualized year to date growth in occupancy is 1.8% for 2018. A lack of availabilities over 45,000 SF make it increasingly difficult for larger users looking for space in Ottawa. These few listings make up only 27% of the industrial space currently available. Development lands represent an opportunity for industrial developers to take advantage of low vacancy and high rental rates. However, the availability of serviced industrial-zoned parcels of land in desirable locations continue to pose a challenge for the National Capital Region. Amazon's announcement to create a 1M SF facility on Boundary Road may influence the future of the South and Orleans markets. Orleans, however, has an availability rate of only 0.2%, and in recent quarters has seen more retail developments take shape than industrial.

Montreal

The vacancy rate decreased from 4.0% in the third quarter of 2017 to 2.7% in the third quarter of 2018 and Montreal has approximately 3.9 years of supply of industrial space based on the current vacancy. Availability is down by nearly 2.4M SF, from 18.9M SF in the first quarter of 2018 to 16.5M SF in the third quarter of this year. Data centers, crypto currency and cannabis production, as well as other emerging industries, could represent new sources of demand for industrial space.

*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

Third Quarter 2018 | Industrial Dashboard Reports

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