

METRO AREAS - POPULATION < 1 MILLION

First Quarter | 2018

	VICTORIA			THOMPSON OKANAGAN			SASKATOON			REGINA			WINNIPEG			WATERLOO			HALIFAX		
Indicator	Q1'17	Q1'18	YOY	Q1'17	Q1'18	YOY	Q1'17	Q1'18	YOY	Q1'17	Q1'18	YOY	Q1'17	Q1'18	YOY	Q1'17	Q1'18	YOY	Q1'17	Q1'18	YOY
Vacancy CMA	4.9%	2.2%	▼ 70 bps	3.0%	1.8%	▼ 120 bps	8.3%	8.6%	▲ 30 bps	3.3%	4.1%	▲ 80 bps	4.0%	3.0%	▼ 100 bps	4.8%	3.0%	▼ 180 bps	16.3%	11.9%	▼ 440 bps
Net Rent CMA	\$12.10	\$13.00	▲ 7.4%	\$9.83	\$11.39	▲ 15.9%	\$10.00	\$8.00	▼ 20.0%	\$11.21	\$10.55	▼ 5.9%	\$6.55	\$6.98	▲ 6.6%	\$4.93	\$4.65	▼ 5.7%	\$8.03	\$8.18	▲ 1.9%
Industrial Employment Growth 18' / '19-'22*	-7.1% / 0.8%			N/A**			1.4% / 0.0%			1.0% / -0.3%			0.8% / 0.5%			-0.6% / 0.7%			2.3% / 1.8%		
Industrial GDP Growth 18' / '19-'22*	1.6% / 1.7%			N/A**			1.6% / 1.3%			2.0% / 1.1%			1.4% / 1.8%			1.1% / 2.3%			1.3% / 1.8%		
Real GDP Growth '18 / '19-'22*	2.2% / 1.8%			N/A**			2.2% / 2.2%			2.2% / 2.0%			2.2% / 2.0%			1.9% / 2.1%			1.7% / 1.8%		

Victoria

The Victoria industrial market has continued to see downward pressure on vacancy rates over the past months, with demand outweighing supply in a dramatic fashion. The strong economy has influenced the expansion of several industrial tenants, and with a vacancy rate of 2.2% there are very few options for them to consider. Rental rates have dramatically increased along with property value appreciation with limited opportunities for relief in the near future. The change in demand has been predominantly fueled by tech firms, shipyard contractors, wholesalers, and distribution.

Thompson Okanagan

The vacancy rate in the Thompson Okanagan industrial market hit a new historical low reaching 1.8% in Q1 2018, marking a 40 bps drop since the end of 2017. Approximately 53,000 square feet of new construction was completed during the first three months of the year, which includes Geometrik's new 30,000 square-foot facility in Kelowna's Airport Business Park. Over the next six months we will see approximately 171,000 square feet of new speculative industrial product come online, with more than half of these buildings already 100% pre-leased or pre-sold. This activity in the industrial market has also helped nudge average lease rates up again this quarter from \$11.14 per square-foot in Q4 2017 to \$11.39 per square-foot in Q1 2018.

Saskatoon

Saskatoon's industrial market is regaining some traction as landlords have acknowledged current market conditions and are reducing net effective rental rates to attract and retain tenants. As of Q1 2018 average asking Net rental rates have dropped to \$8.00 per square-foot, this is a drop of 20% since Q1 2017. Tenants in turn, are taking advantage of lower rates and are expanding the scope of their operations. In addition, no industrial building permits have been issued in the first quarter of 2018, which will allow absorption to catch up with the market.

Regina

Regina's industrial market, while relatively stable, has continued to show increased vacancy and slower demand as of Q1 2018. Vacancy rates have risen over three-quarters of a percent in the last 6 months to the highest rate in a decade. Economic uncertainty over the past few years and more discerning tenants are creating a more challenging market for landlords, a condition likely to continue in the short-term. Tenants will continue to benefit from lower rates and more opportunities and landlords will have to adjust to newer market realities.

Winnipeg

In Q1 2018, industrial sales activity remained robust with several large transactions occurring in both of Winnipeg's northwest and east sectors. The southwest continues to contend with both limited sales and leasing prospects. Opportunities to purchase industrial land for development are arising in all sectors of Winnipeg's market. Serviced land is ranging from \$250,000 per acre in the east to as high as \$695,000 per acre in the highly desirable southwest. It is expected Winnipeg's market will remain steady with continued upward pressure on rental rates as quality inventory remains low. The impact of these changes can be seen in Winnipeg's vacancy rate that has dropped 100 bps to 3.0% from 4.0% in Q1 2017. Asking Net rental rates have also been rising with an annual increase of 6.6% as of Q1 2018.

Waterloo

The flurry of sale and lease transactions in Waterloo Region in Q4 2017 has resulted in a significant positive absorption in Q1 2018; several large facilities were absorbed, including some vacancies that had lingered in the market. The result is a very low vacancy of just 3.0%, and when some of the functionally challenged properties are removed from this figure, it is clear the options for tenants and buyers are truly limited. The slight drop in the weighted average asking lease rates is a reflection of the quality of the current supply and the scarcity of options for tenants in the market. By the end of Q1, there was less than 1.3 million square feet of space available for lease, and of this close to half was functionally challenged or ill-sized for the core market demand. Less than 175,000 square feet of owner-occupier space is available for sale, leaving many users sitting on the sidelines and waiting for the right opportunity to emerge. This is keeping upward pressure on per-square-foot sale prices.

Halifax

Vacancy declined 170 basis points quarter over quarter, in the Halifax industrial market, starting 2018 at a rate of 11.9% overall. Positive absorption reached approximately 300,000 square feet this quarter, indicating that the activity this area has been experiencing is not slowing down any time soon. Development continues in the Burnside Business Park with several developers beginning or continuing construction of over 300,000 square feet of flex industrial space that will come online over the next 12 months. This influx of space is expected to cause vacancy rates to increase in the short term but will quickly stabilize as quality bulk warehouse space is in high demand in this aging market.

*Source: Conference Board of Canada

**The Conference Board of Canada does not provide city specific forecasts for Thompson Okanagan at this time

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First Quarter 2018 | Industrial Dashboard Reports

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