

METRO AREAS - POPULATION > 1 MILLION

First Quarter | 2018

	VANCOUVER			CALGARY			EDMONTON			TORONTO			OTTAWA			MONTREAL		
Indicator	Q1'17	Q1'18	YOY															
Vacancy Downtown (CBD)	6.3%	4.6%	▼ 170 bps	25.1%	27.1%	▲ 200 bps	18.1%	14.5%	▼ 360 bps	4.0%	1.8%	▼ 220 bps	10.7%	8.1%	▼ 260 bps	7.5%	7.8%	▲ 30 bps
Vacancy Midtown & Suburbs (non-CBD)	8.4%	5.6%	▼ 280 bps	19.5%	20.4%	▲ 90 bps	17.6%	17.3%	▼ 30 bps	6.9%	6.0%	▼ 90 bps	13.0%	12.1%	▼ 90 bps	11.7%	16.8%	▲ 510 bps
Net Rent Downtown (CBD)	\$29.14	\$33.33	▲ 14.4%	\$16.00	\$14.00	▼ 12.5%	\$18.10	\$17.21	▼ 4.9%	\$28.93	\$29.98	▲ 3.6%	\$17.81	\$17.53	▼ 1.6%	\$16.28	\$16.98	▲ 4.3%
Net Rent Midtown & Suburbs (non-CBD)	\$19.14	\$28.78	▲ 50.4%	\$23.70	\$14.00	▼ 40.9%	\$17.12	\$16.99	▼ 0.8%	\$16.63	\$16.68	▲ 0.3%	\$14.61	\$14.26	▼ 2.4%	\$13.87	\$13.61	▼ 1.9%
Unemployment Rate '18 / '19-'22*	4.9% / 4.6%			8.2% / 7.0%			8.1% / 6.9%			6.3% / 6.0%			5.8% / 5.5%			6.4% / 6.1%		
Real GDP Growth '18 / '19-'22*	2.7% / 2.4%			2.5% / 2.4%			2.2% / 2.3%			2.4% / 2.4%			2.1% / 2.0%			2.1% / 1.8%		

Vancouver

The overall vacancy rate for Metro Vancouver edged down to 5.4% in Q1 2018, marking the ninth quarter in a row that vacancy in Vancouver tightened. Continued low vacancy and competition for space has resulted in higher Net rents across most submarkets. Amazon made headlines when it was announced in late April that the company would be taking approximately 416,000 square feet at the Canada Post building at 349 West Georgia. The building, owned by Bentall Kennedy, was approved for rezoning in 2017 to allow commercial, retail, and residential uses, and is expected to deliver in 2022. This lease is in addition to the 147,000 square foot building at 402 Dunsmuir, currently under construction, which Amazon pre-leased earlier in 2017, due to complete in 2020.

Calgary

For only the third time since Q1 2015, downtown Calgary experienced positive office space absorption to the tune of 181,419 square feet in Q1 2018. This occurrence is largely attributed to a handful of companies relocating/expanding in existing "AA" class space or, alternatively, taking advantage of the current tenant-friendly market conditions and moving into better space in a "flight to quality". This positive absorption resulted in a marginal decrease in the vacancy rate to 27.1%. Colliers forecasts that the downtown office market will remain heavily favored towards tenants for the foreseeable future as almost 12 million square feet remains vacant and available. As landlords compete for tenants, reduced rental rates have continued to decline and lease-based incentives have been increasing.

Edmonton

For Q1 2018, and the second quarter in a row, the Edmonton Office Market reported positive absorption and decreasing vacancy rates. In addition to tenant activity, conversions of downtown office towers removed 467,000 square feet of vacant office space from the downtown inventory and materially contributed to the largest quarter-over-quarter decrease in vacancy experienced in the last decade. Although not primarily tenant demand driven, this rebound in vacancy from the record highs in 2017 is expected to provide some momentum and confidence to the Edmonton Office market.

Toronto

The GTA market has lost 45% of its available space since Q1 2008. Since then, Net and Gross Asking Rents have climbed 12.7% and 17.6% (currently \$19.69 and \$37.73) and the vacancy rate has halved (from 8.6% to 4.3%). Technology based firms continue to be the leading industry group competing for available space across the GTA; representing 27% of all transactions on a square foot basis in Q1 2018. The Downtown West, a desirable submarket for creative and technological users in the Downtown market, has leased half of its available A-Class inventory over the past year.

Ottawa

With vacancy rates dropping to 8.1% in Q1 2018, down 260 bps in the past year, more flexibility and less commitment is a growing trend for Ottawa tenants, especially start-ups and tenants seeking 1,000 square feet or less. These tenants are less likely to take on the risk of leasing their own space to grow in, and are looking for coworking spaces to fit their needs. Co-working spaces with shared common areas such as kitchenettes and boardrooms allow tenants the opportunity to settle in a central, amenity-rich location for a lower cost and with added flexibility to grow or move in a short time period. The nature of the way that co-working spaces are laid out can also provide networking opportunities for smaller businesses.

Montreal

The office lease market was relatively dynamic in Q1 2018, and net absorption in the Greater Montréal Area was positive. A total of 423,342 square feet were leased, representing one of the highest single-quarter increases in absorption recorded these last years. With increased market activity, building conversions and upgrading have added new space to the market and as a result the vacancy rate rose to 11.1% in Q1 2018 as did the available space, now at 12,901,535 square foot in the opening quarter of this year. Real estate developer Broccolini announced it acquired 135,000 square feet of property bordered by Saint-Jacques, Notre-Dame, Gauvin and Robert-Bourassa. National Bank announced it bought 85,000 square foot of that same property, where it plans to erect its new 36-floor head office by 2023.

*Source: Conference Board of Canada

**Midtown Markets Include: Broadway (Vancouver), Beltline (Calgary), Midtown (GTA), Fringe Core (Ottawa), Midtown (Montreal).

***Edmonton does not report a Midtown market.

Metro Areas - Population > 1 Million

First Quarter 2018 | Office Dashboard Reports

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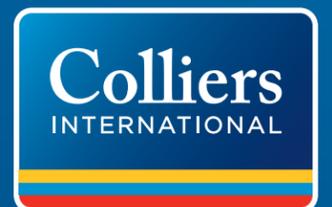
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