

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 Downtown (CBD)	4.8%	3.9%	▼ 90 bps	27.0%	26.8%	▼ 20 bps	17.7%	15.7%	▼ 200 bps	3.6%	1.4%	▼ 220 bps	9.8%	5.8%	▼ 400 bps	7.6%	6.6%	▼ 100 bps
Vacancy Midtown & Suburbs (non-CBD)	6.9%	5.9%	▼ 100 bps	20.5%	20.9%	▲ 40 bps	17.7%	19.5%	▲ 180 bps	6.2%	6.1%	▼ 10 bps	12.7%	9.3%	▼ 340 bps	11.7%	14.0%	▲ 230 bps
Net Rent Downtown (CBD)	\$26.96	\$34.86	▲ 29.3%	\$14.50	\$14.00	▼ 3.4%	\$18.10	\$19.04	▲ 5.2%	\$29.09	\$31.30	▲ 7.6%	\$16.95	\$17.86	▲ 5.4%	\$17.10	\$17.09	▼ 0.1%
Net Rent Midtown & Suburbs (non-CBD)	\$21.32	\$22.29	▲ 4.5%	\$13.82	\$14.50	▲ 4.9%	\$16.56	\$17.90	▲ 8.1%	\$16.57	\$17.35	▲ 4.7%	\$14.46	\$14.68	▲ 1.5%	\$13.65	\$14.06	▲ 3.0%
Unemployment Rate '18 / '19-'22*	4.3% / 4.4%			7.3% / 6.0%			6.7% / 6.0%			5.9% / 5.8%			5.4% / 5.3%			5.8% / 5.9%		
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

Greater Vancouver recorded positive absorption for the 6th straight quarter, and vacancy rates continued to drop, particularly in the downtown core. Of the new supply in downtown, 30% (1.16M SF) has been pre-leased, and a further 14% (558,000 SF) has optional deals; 14.8% of the pre-leased space (563,000 SF) is for Amazon (416,000 at the Post South Tower and 147K at 401 West Georgia). With the demolition of 1133 Melville underway, the amount of new supply under construction in Downtown Vancouver jumped from 1.7M SF in Q2 to 2.3M in Q3. Telus Garden was sold to an undisclosed buyer in August, and for an undisclosed price, but Telus reportedly expects to net \$170M from the sale. 800 Burrard was bought by Crestpoint for \$225M, or \$1,000 per square foot, with a 4.25% cap rate. Crestpoint's president cited the limited supply in Vancouver and its ability to attract foreign capital as justification for the price.

Calgary

Calgary's downtown vacancy continues to remain steady, however, there has been significant absorption through 2018. With 278,385 SF of absorption in the third quarter of the year, the year to date amount equates to 660,034 SF. TELUS Sky has added 461,184 SF of inventory to the downtown office market. Attractive lease rates in the downtown core have large suburban tenants considering downtown options.

Edmonton

The Edmonton Office market remained positive this quarter in terms of leasing activity, with a total of 60,997 SF in positive absorption being reported and a cycling of older

inventory for new being the major theme. The City of Edmonton mantra of Live, Work, Play is beginning to unfold throughout the downtown core as many changes in office options, residential options, infrastructure, and amenities begin to unfold. Many opportunities have arisen that have allowed for such change - one example is that a decrease in office asset costs have made redevelopment options feasible for either renovating a building or converting it into a residential use. With recovery underway and exciting new developments and projects on the horizon, the downtown Edmonton market is experiencing an incredible shift to a rich, vibrant environment. These positive changes will no doubt position Edmonton as a desirable place to be, further diversifying and strengthening our economy and encouraging investment.

Toronto

Toronto's vacancy continues to shrink, and retains its title as the tightest major metropolitan market in North America. Toronto's Central Business District is now at 1.4% vacancy, marking a -220 bps change YoY. The Well, the 1.6M SF multi-use development by REITs RioCan and Allied Properties announced three anchor tenants: Index Exchange, Shopify and Spaces. Microsoft opted to double-down on its Downtown presence, announcing their new Canadian head office in 81 Bay Street. Absorption amongst existing inventory this quarter picks back up on the pace set in 2017. While none of the markets broke pre-existing absorption records, the GTA West, GTA North, and Downtown Markets came close. Weighted average asking net rents grew 7.5% (\$2.30 PSF) QoQ, indicative that landlords may be taking an aggressive position on the market's outlook. The single-fastest growing submarket was the Downtown North, where weighted average asking net rents among A-Class product grew \$6.49.

Ottawa

Ottawa's vacancy rate has been declining and is now 7.7% overall, with the CBD vacancy rate at 5.8%. The suburbs saw particularly strong absorption in the past quarter with almost 279,000 SF of increased occupancy; this equals almost 6.1% annualized office occupancy growth. Several large government tenders were secured this quarter, most notably in the Downtown Core. Government activity shows no signs of slowing after announcement that they are looking for space in Ottawa's east end. The Downtown Core has seen the largest decrease in availability, dropping 270 basis points year over year, making it increasingly more difficult for tenants to find new space. Being the largest office sub-market, it has impacted the overall market with a -110 bps change YoY.

Montreal

The rental market for office space was very dynamic in the third quarter of 2018. In fact, 1.33M SF was leased in the third quarter of the year. Vacancy rate declined from 10.8% overall in Q2 to 9.3% at the end of Q3. More than ever, work environments become living spaces offering a range of related services near the physical office spaces, marking a shift away from more traditional office environments.

*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.

YoY: Year over Year comparison

QoQ: Quarter over Quarter comparison

Metro Areas - Population > 1 Million

Third Quarter 2018 | Office Dashboard Reports

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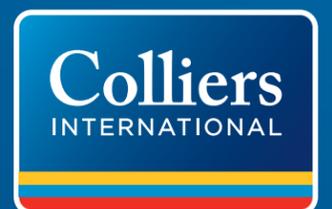
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