

METRO AREAS - POPULATION > 1 MILLION

First Quarter | 2018

	VANCOUVER			CALGARY			EDMONTON			TORONTO			OTTAWA			MONTREAL		
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
Vacancy CMA	2.2%	1.5%	▼ 70 bps	6.6%	5.5%	▼ 110 bps	7.7%	6.5%	▼ 120 bps	1.0%	0.7%	▼ 30 bps	4.0%	3.2%	▼ 80 bps	4.0%	3.0%	▼ 100 bps
Net Rent CMA	\$9.32	\$10.39	▲ 11.5%	\$7.50	\$8.25	▲ 10.0%	\$10.28	\$10.08	▼ 1.9%	\$5.84	\$6.41	▲ 9.8%	\$10.07	\$10.51	▲ 4.4%	\$5.48	\$5.65	▲ 3.1%
Industrial Employment Growth 18' / '19-'22*	2.2% / 0.3%			8.1% / 1.8%			3.8% / 1.7%			2.2% / 1.2%			0.7% / 1.3%			2.5% / 0.2%		
Industrial GDP Growth 18' / '19-'22*	2.6% / 2.0%			2.6% / 2.4%			2.3% / 2.2%			1.9% / 2.2%			1.6% / 2.3%			2.0% / 1.6%		
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

Despite 937,645 square feet of new supply, vacancy declined from the previous quarter's 1.9% to 1.5% due to the largest amount of net absorption in a quarter since Q4 2015. The 1,537,751 square feet of positive absorption experienced in Q1 2018 marks 19 consecutive quarters of positive absorption in the Vancouver industrial market. Over the last 10 years, the average annual new supply was approximately 2.9 million square feet and the average annual net absorption was approximately 2.8 million square feet. However, looking at the past five years, the average annual new supply remains at approximately 2.9 million square feet, but the average annual absorption increases by approximately 25% to 3.5 million square feet, indicating a recent trend of demand outstripping new supply.

Calgary

Strong leasing and sales activity experienced throughout 2017 continued to flow into Q1 2018, with the majority of key market indicators improving. The stabilization and subsequent improvement in commodity prices, along with renewed confidence in the Calgary industrial market generated in 2017, have continued to provoke optimism from owners and occupiers. Vacancy decreased by 32 basis points to 5.5% in Q1 of 2018, down from 5.8% in Q4 2017. This represents a year-over-year decrease of 110 basis points from Q1 2017. The Calgary industrial market has not experienced vacancy levels this low since Q1 2015, which was right before vacancy began its steady ascent, where it peaked at 7.4% in Q3 2016. The decline in vacancy pushed vacant space down to ±7,748,588 square feet for Q1 2018, with the majority of vacant space accounted for in the large-bay market. Even though this segment of the market has the largest share of vacancy, it has experienced a year-over-year decrease of ±1.27 million square feet of vacant space from 2017.

Edmonton

For the third straight quarter Edmonton experienced positive absorption. The industrial market saw 334,679 square feet of positive absorption, dropping the overall vacancy to 6.5%. Southwest Edmonton drove the leasing activity with 242,972 square feet of absorption while most sectors experienced mild or neutral absorption numbers. Northwest Edmonton and Acheson were the only sectors with negative absorption. Industrial investment was \$116,741,523 for Q1, a 22% decrease from \$142,703,080 seen last quarter. However, compared to Q1 2017, year-over-year investment is up 29%. Average rental rates dipped slightly from \$10.22 to \$10.08, while sublease vacancy dropped from 0.84% to 0.73%.

Toronto

The availability rate in the first quarter dropped -31bps since Q4 2017 and -95bps over the past year reaching 1.70%. Rental rates in the GTA have grown by 9.8% YoY from \$5.84 to \$6.41 per square-foot, with the GTA East growing the most at 16.4% since Q1 2017 from an average asking rent of \$5.07 to \$5.90 per square-foot. The GTA had net new supply of 1,118,605 square feet; nearly 900,000 square feet of that came to the GTA West, with the rest coming to the GTA North. The largest leasing transaction of the quarter was a pre-lease deal on 2233 Sheppard Avenue West, totaling 544,000 square feet. Over \$770 million was transacted Q1 2018, resulting in an average price per square-foot of \$196, representing a growth rate of 28.1% when compared to the same period one year ago.

Ottawa

The industrial tenant landscape in Ottawa is slowly changing with a drop to 3.2% vacancy from 4.0% in Q1 2017 and more tenants in the distribution industry seeking availabilities and settling down in the area. As a consequence, rental rates have risen by 4.4% and now average \$10.51 across the region. This is likely a response to evolving retail trends and the increasing popularity of online shopping - which shows no signs of slowing for the next several years. Well-placed distribution centres help online retail stores meet the demand for quick and efficient shipping. With online retail only becoming more competitive as time goes on, industrial distribution growth will likely bring companies that traditionally choose to carry out their business in cities like Toronto to cities like Ottawa.

Montreal

Vacancy and availability rates in the Greater Montreal Area are continuing to decline finishing at 3.0% and 5.1% respectively. Vacancy rates across the region have fallen by 100 bps since Q1 2017 and rental rates have risen by 3.1% to \$5.65 per square-foot. Industrial assets continue to be in demand. Increasing demand from institutional investors for modern well-leased industrial assets is putting downward pressure on cap rates. Active players on the market include Fiera Properties (acquired Investors Group nine-property portfolio), and PIRET (2200 de l'Aviation) to name a few, having acquired significant assets with cap rates ranging from 6.0% to 7.0%. The shortage of vacant land on the island of Montréal is hastening the departure of companies seeking bigger facilities at a reasonable price. Prime examples of this are Molson, Ikea and Costco who will be moving to off-island facilities tailored to their specific needs.

*Source: Conference Board of Canada

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First Quarter 2018 | Industrial Dashboard Reports

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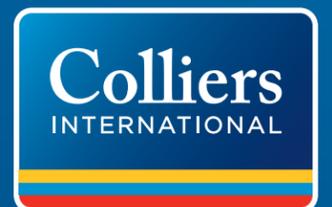
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