

METRO AREAS - POPULATION < 1 MILLION

Second Quarter | 2018

	VICTORIA			THOMPSON OKANAGAN			SASKATOON			REGINA			WINNIPEG			WATERLOO			HALIFAX		
Indicator	Q2'17	Q2'18	YOY	Q2'17	Q2'18	YOY	Q2'17	Q2'18	YOY	Q2'17	Q2'18	YOY	Q2'17	Q2'18	YOY	Q2'17	Q2'18	YOY	Q2'17	Q2'18	YOY
Vacancy Downtown (CBD)	6.0%	7.6%	▲ 160 bps	5.8%	6.1%	▲ 30 bps	14.9%	17.3%	▲ 240 bps	12.4%	10.7%	▼ 170 bps	10.1%	8.8%	▼ 130 bps	11.8%	12.9%	▲ 110 bps	15.5%	20.1%	▲ 460 bps
Vacancy Midtown & Suburbs (non-CBD)	10.1%	8.9%	▼ 120 bps	-	-	N/A**	21.3%	16.5%	▼ 480 bps	12.0%	12.1%	▲ 10 bps	6.7%	8.0%	▲ 130 bps	20.9%	19.0%	▼ 190 bps	15.7%	14.3%	▼ 140 bps
Net Rent Downtown (CBD)	\$25.50	\$25.00	▼ 2.0%	\$15.07	\$16.35	▲ 8.5%	\$18.00	\$18.00	◀▶ 0%	\$18.04	\$17.40	▼ 3.5%	\$19.53	\$17.05	▼ 12.7%	\$13.48	\$13.59	▲ 0.8%	\$14.79	\$16.19	▲ 9.5%
Net Rent Midtown & Suburbs (non-CBD)	\$25.50	\$19.00	▼ 25.5%	-	-	N/A***	\$20.00	\$20.00	◀▶ 0%	\$20.71	\$20.57	▼ 0.7%	\$15.44	\$16.79	▲ 8.7%	\$13.75	\$17.80	▲ 29.5%	\$12.89	\$14.10	▲ 9.4%
Unemployment Rate '18 / '19-'22*	4.1% / 4.1%			N/A**			7.2% / 6.7%			5.1% / 5.0%			5.8% / 5.9%			5.2% / 5.0%			6.5% / 6.1%		
Real GDP Growth '18 / '19-'22*	2.4% / 1.9%			N/A**			2.0% / 2.5%			2.0% / 2.4%			2.3% / 2.2%			1.6% / 2.1%			1.9% / 1.7%		

Victoria

The Greater Victoria office market outperformed forecasts, resulting in an overall decrease in vacancy from 8.7% in Q4 2017 to 8.2% as of Q2 2018. During this time period, downtown vacancy increased slightly from 7.2% to 7.6%, while suburban vacancy decreased from 10.6% to 8.9%. Downtown Class A office buildings had the largest increase in vacancy from 1.2% to 5.9%, due to 1515 Douglas Street and 750 Pandora Avenue being added as new supply. Overall vacancy is expected to decrease further, driven by continued demand from both the Provincial Government and the private sector. The Provincial Government will occupy a major portion of Capital Park with the option to potentially occupy the entire building. With the growth of project funding under the NDP, Colliers expects the province will take advantage of this opportunity.

Thompson Okanagan

Following six consecutive quarters of relatively static activity, the Thompson Okanagan office vacancy rate has dropped by 110 bps since the first quarter of 2018 reaching 6.1% in the second quarter of 2018. This drop can be mostly attributed to a significant lease deal of nearly 42,000 square feet at the McIntosh Centre in Kelowna, which has been sitting vacant since its completion in 2015. The average net asking rent has also dropped this quarter from \$17.60 to \$16.35, which primarily reflects a shift in the quality of office space being marketed for lease. Increases in Class B and C space available on the market have shifted average asking rents down, with tenant demand remaining primarily for Class A premises. While only 6,000 square feet of new supply was added to the market during Q2 2018, more than 114,000 square feet of new office space is expected to be delivered over the coming year.

Saskatoon

Saskatoon's office market is slow but steady rental rates continue to decline and there are major shifts

in the market on the horizon. Absorption was negative in the first half of 2018 and additional exodus from the CBD is anticipated as some prominent tenants relocate to the suburban market. River Landing is progressing rapidly on a 155,000 square foot Class AAA building, and has secured tenants for approximately 30% of the building, and Colliers expects many to follow in the coming year. Saskatoon has an aging office inventory to contend with and there appears to be demand for new quality properties.

Regina

The office market remains beleaguered by higher vacancy rates, however, the re-commitment of a major Regina office tenant has lowed the downtown vacancy rate to the lowest point in the past three years. Whether this trend will continue is uncertain as some additional tenant downsizing are likely in the coming years. Posted rental rates have remained relatively static, but, signed lease rates are significantly lower, especially in Class B and C product. Limited new tenants in the market mean that landlords have had to offer significant inducements or input significant capital back into their properties to complete deals. The current state of the market will continue to favour tenants for the foreseeable future.

Winnipeg

Winnipeg's vacancy rate continued to decrease from 9.0% to 8.6% in the first half of 2018 with both the Downtown and Suburban markets achieving positive absorption. Highly coveted Suburban office space remains in limited supply. This scarcity of alternatives is causing upward pressure on suburban asking net rental rates. Downtown Winnipeg's eagerly anticipated office tower, True North Square, is on schedule to arrive at the beginning of the next quarter. As the introduction of substantial new supply is imminent, movement in the market will fluctuate as the jockeying for position in newly vacated spaces begins.

Waterloo

The Waterloo Region continues to see positive absorption including 93,471 square feet in the downtown areas and 259,363 square feet in the suburbs during Q2 2018. The market has also seen newly completed construction of 69,788 square feet, most of it downtown. Overall the market is showing strength, particularly in the suburbs where rental rates have risen by 29.5% to \$17.80 per square foot over the past twelve months. By contrast the downtown market average asking net rental rate is now \$13.59 per square foot. The construction pipeline for the region comprises 261,086 square feet with 84% of this located in the suburbs.

Halifax

The Halifax office market experienced a minimal decrease in vacancy dropping a mere 10 basis points to 16.7% since Q1 2018. The Downtown area continues to be a tenant's market with overall vacancy remaining at 20.1%. Dartmouth was the most active submarket with vacancy declining 140 basis points to 18.0% and reaching almost 73,000 square feet of positive absorption. Overall vacancy is expected to decrease to close the year as quality space becomes leased but should then turn around and increase again as new supply comes online in early 2019. Construction continues to thrive with both ongoing and new developments such as Queen's Marquee and Westway Park leading to a promising sign of economic growth over the next several years.

*Source: Conference Board of Canada

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

Metro Areas - Population < 1 Million

Second Quarter 2018 | Office Dashboard Reports

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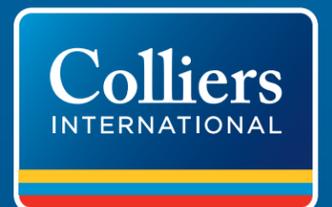
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