

	YoY Chg	12-Mo. Forecast
3.3% Overall Vacancy Rate	▲	▲
621K Overall Net Absorption, SF	▼	▼
\$16.60 Asking Rent, PSF	▼	▬
-0.8% Rent Growth YOY	▼	▼
34.1M Under Construction, SF	▼	▼

**ECONOMIC INDICATORS
Q1 2024**

	YoY Chg	12-Mo. Forecast
20.2M Total Nonfarm Employment	▲	▲
2.9M Industrial Employment	▲	▬
6.1% Canada Unemployment Rate	▲	▲

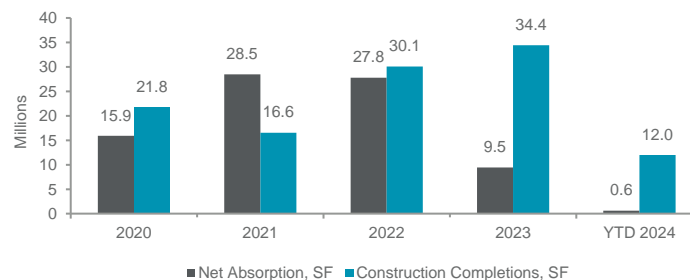
New Supply Arrivals Continued to Drive up Vacancy

In its latest Labour Force Survey, Statistics Canada is reporting virtually no change in employment in March 2024 compared to last month, while the unemployment rate ticked up by 30 basis points (bps) to 6.1%. Continued high interest rates have resulted in lower demand, and as a result companies have reduced hiring which translates into weaker demand for labour. Over the course of the last 12 months the employment rate - which is the component of the population aged 15 and older who are employed – has decreased by 90 bps as employment growth throughout the country (approximately 1.6%) has been outpaced by growth in the population aged 15 and older in the labour force survey (3.2%). The next Bank of Canada interest rate announcement is set for April 10th, and while this employment latest report gives some indication of a cooling labour market, given other indicators such as continued strong wage growth, decreased inflation, and stronger than expected GDP growth to begin the year, will likely mean another rate hold – at least for now.

The overall industrial vacancy rate continued its upward trajectory in the first quarter of 2024, bumping up by 60 bps from the final quarter of 2023 to reach 3.3%. The quarter-over-quarter (QOQ) increases in vacancy that have been occurring since the third quarter of 2022 accelerated in the second half of 2023 and have continued into this quarter. Prior to the third quarter of 2023 the vacancy rate was ticking upwards only a minimal amount every quarter, generally by about 10 bps. However, in the past three quarters the market is witnessing vacancy increases of 50 to 60 bps. Not surprisingly this coincides with the combined 34.3 million square feet (msf) of new supply delivered to the overall Canadian market in the past three quarters. As demand velocity continues to moderate, this resulted in a sizeable component of these newly built buildings arriving to the market as vacancy.

As a result of these construction completions, but also tenants putting space on the market in existing inventory, overall vacant industrial space has reached close to 61.2 msf. Sublet vacancy has continued to grow, reaching 8.8 msf this quarter. From a square footage perspective this is a notable increase of 250% from just one year ago and sublet vacancy as a percentage of total vacant space now sits at 14.4%. Toronto, Montreal and Vancouver have all seen sizable accelerations in the amount of sublet vacancy arriving to the market since the third quarter of 2023, although Vancouver did see a small decrease compared to last quarter.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING NET RENT



Absorption levels did improve from last quarter’s overall negative total, climbing back into positive territory to reach close to 621k square feet (sf). Although absorption levels turned sharply negative in Toronto at close to 1.5 msf, and the Montreal market continued to see strong negative absorption of over one million square feet for the second consecutive quarter, it was high positive absorption in Calgary of close to 2.7 msf that propelled the overall market back into the positive. For Calgary this total can be attributed to record setting new supply arrivals of just shy of four million square feet, even though this new supply arrived 40% vacant. A similar situation was witnessed in Toronto which had approximately 3.2 msf of supply deliver this quarter, but only 28.9% was preleased prior to completion – the lowest pre-leasing percentage since 2016.

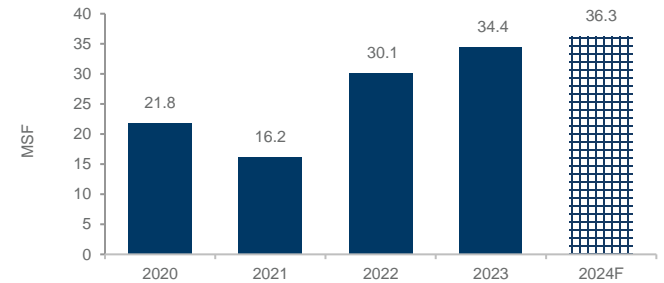
New supply arrival totals reached over 11.0 msf for the third consecutive quarter, with totals reaching just over 12.0 msf in the first quarter of 2024. All four major markets in the country saw deliveries reach over one million square feet this quarter, but new supply arrivals are having a decreasingly lower impact on positive absorption figures and an ever-increasing influence on vacancy rates. Looking at these four markets specifically, just over 10.4 msf was delivered this quarter. Approximately 4.8 msf was preleased leaving close to 5.6 msf of vacancy arriving to the market. This vacancy alone was responsible for 30 bps of the overall 60 bps QOQ increase in vacancy this quarter. While new supply deliveries are anticipated to slow through the remainder of 2024, the overall total for the year is anticipated to be close to 36.3 msf, which would break the record setting total set in 2023. As a result of the sheer amount of new supply, and the anticipated vacancy arriving in this new supply, it is almost a certainty that vacancy will continue to climb through the remainder of the year.

The overall average net asking rental rate declined for the second straight quarter to reach \$16.60 per square foot. While the market may see some decreases in pricing, particularly in older, less desirable assets, this may be counteracted somewhat by the pricing of space in new builds – which generally commands a higher price point than existing inventory.

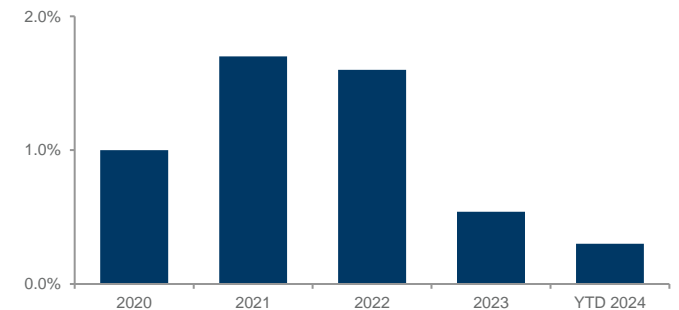
OUTLOOK

- Another record year of new deliveries is anticipated in 2024 and will have a notable impact on the overall performance of the market.
- Vacancy is anticipated to continue to increase due to a combination of slowing demand, vacancy arriving in new builds, and sublease vacancy continuing to become more prevalent.
- Overall absorption will continue to moderate, and may dip into the negative, as the demand for goods continues to slow and continued economic uncertainty.

NEW SUPPLY



NET ABSORPTION AS % OF INVENTORY



Industrial Q1 2024

MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	OVERALL VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	UNDER CNSTR (SF)	YTD CNSTR COMPLETIONS (SF)	OVERALL WEIGHTED AVG NET RENT*	OVERALL WEIGHTED AVG ADD. RENT	OVERALL WEIGHTED AVG GROSS RENT
Vancouver	244,063,744	6,012,056	2.5%	330,855	330,855	7,450,989	1,409,986	\$20.26	\$5.05	\$25.31
Calgary	154,640,109	6,831,134	4.4%	2,659,885	2,659,885	3,569,660	3,980,205	\$10.71	\$4.13	\$14.84
Saskatoon	24,288,088	625,082	2.6%	-30,151	-30,151	249,385	0	\$12.55	\$4.65	\$17.20
Winnipeg	76,970,132	2,123,134	2.8%	233,066	233,066	70,500	175,000	\$10.40	\$4.83	\$15.24
Waterloo Region	93,920,217	2,124,598	2.3%	-105,069	-105,069	3,055,819	690,059	\$14.28	\$3.57	\$17.84
London	42,000,895	689,100	1.6%	126,894	126,894	807,423	165,285	\$10.01	\$4.17	\$14.18
Toronto	822,513,059	26,014,901	3.2%	-1,523,200	-1,523,200	15,751,636	3,231,285	\$18.60	\$4.22	\$22.82
Ottawa	27,467,750	818,612	3.0%	292,618	292,618	478,745	496,614	\$15.54	\$6.31	\$21.85
Montreal	344,253,532	14,579,704	4.2%	-1,421,947	-1,421,947	2,087,672	1,790,845	\$15.46	\$4.36	\$19.82
Fredericton	523,015	3,892	0.7%	0	0	11,250	0	\$8.10	\$4.95	\$13.05
Saint John	522,603	34,780	6.7%	2,320	2,320	0	0	\$8.56	\$4.08	\$12.63
Moncton	4,744,935	226,151	4.8%	-1,221	-1,221	392,824	42,000	\$6.90	\$3.56	\$10.46
Halifax	9,036,795	442,817	4.9%	14,397	14,397	167,984	30,000	\$9.45	\$6.16	\$15.62
Charlottetown	396,139	17,109	4.3%	5,291	5,291	0	0	\$10.67	\$5.52	\$16.19
St. John's	4,344,947	632,095	14.5%	37,215	37,215	0	0	\$12.90	\$3.63	\$16.54
NATIONAL TOTALS	1,849,685,960	61,175,165	3.3%	620,953	620,953	34,093,887	12,011,279	\$16.60	\$4.61	\$21.21

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