

MARKET FUNDAMENTALS

	YOY Chg	12-Month Forecast
17.2% Vacancy Rate	▲	▲
-1.4M Net Absorption, SF	▼	▲
\$41.61 Gross Asking Rent, PSF	▲	▬
1.2% Rent Growth, YOY	▬	▬
5.2M Under Construction, SF	▼	▼

(Overall, All Property Classes)

ECONOMIC INDICATORS

	YOY Chg	*12-Month Forecast
20.3M Total Nonfarm Employment	▲	▲
2.3M Office Using Employment	▲	▲
6.6% Canadian Unemployment Rate	▲	▬

Source: Statistics Canada, *Cushman & Wakefield Baseline

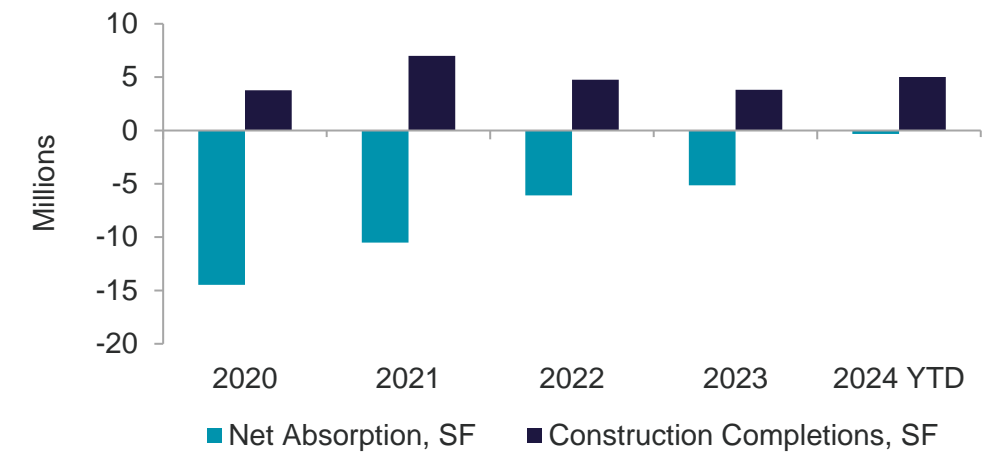
OFFICE MARKET CONTINUED ITS UNEVEN PATH TO RECOVERY

In its August 2024 Labour Force Survey, Statistics Canada reported continued minimal change in employment levels. The unemployment rate however climbed by 20 basis points (bps) from July to 6.6% as growth in the working age population who are actively searching for work continued to outpace the supply of jobs. Employment in industries that would generally be occupying office space has fluctuated month-over-month throughout 2024, but on a year-over-year basis has increased by 2.9%.

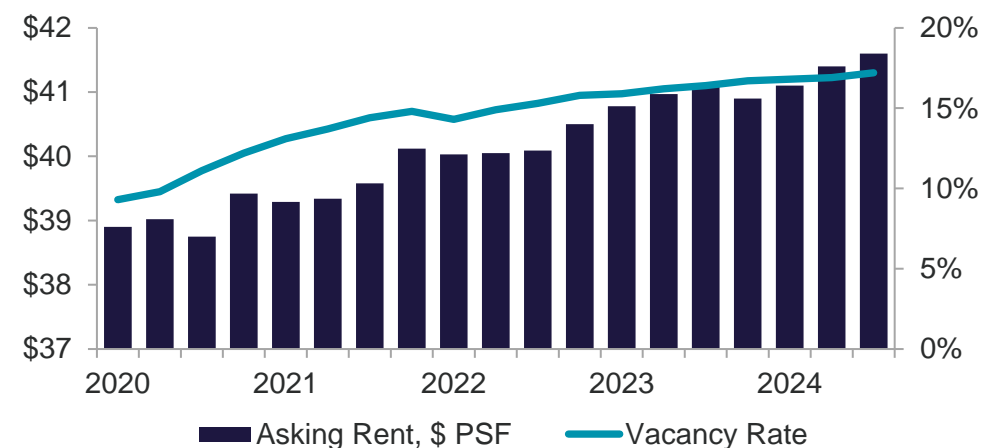
The overall office vacancy rate reached 17.2% in the third quarter of 2024, a minimal bump upwards from last quarter. While vacancy remains stable in the Central Class A market - an ongoing trend that took hold at the end of 2023 - there was weakening in the Central Class B&C market as vacancy climbed notably from the previous quarter to reach 21.2%. This increase in vacancy has not been the result of new supply arriving to the market as deliveries are primarily located within the Class A market, but rather a continued softening in demand that accelerated also in the fourth quarter of 2023. The timing of this divergence in market conditions between Class A and Class B&C product is likely not a coincidence as occupiers who have re-entered the market are prioritizing quality, well-amenitized and well-located Class A space at continued discounted rates.

The arrival of new direct vacancy on the market remained the driving force behind the overall increase in vacancy this quarter as the amount of sublet vacancy on the market has continued to decline. Sublet vacancy peaked in the second quarter of 2023 at 17.6 million square feet (msf) and over the course of just over two years has declined to 15.8 msf. While declines in sublet vacancy have been witnessed in both the Central and Suburban markets and across all classes of inventory, the most prominent decline has been within the Central Class A market. While some sublet vacancy has converted back to direct as the original lease expires, occupiers are also leasing space that had been marketed for sublease to take advantage of turn-key space at likely lower rates. In addition, tenants are re-occupying space that had been placed on the sublease market.

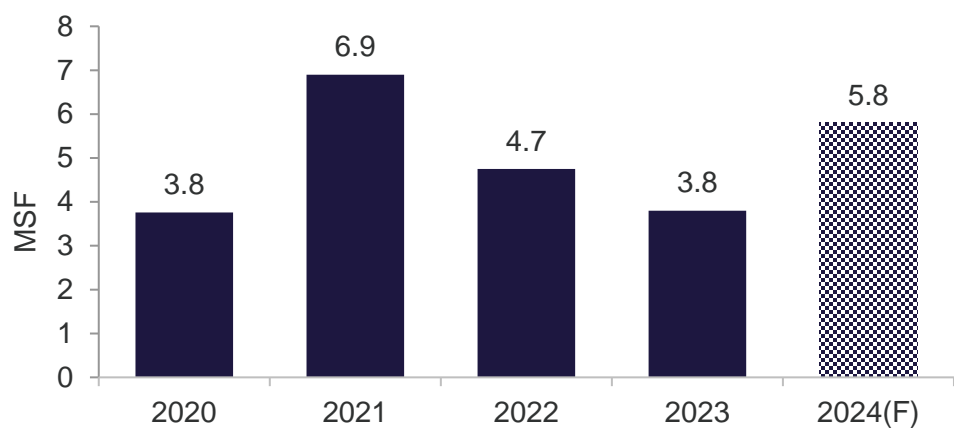
SPACE DEMAND / DELIVERIES



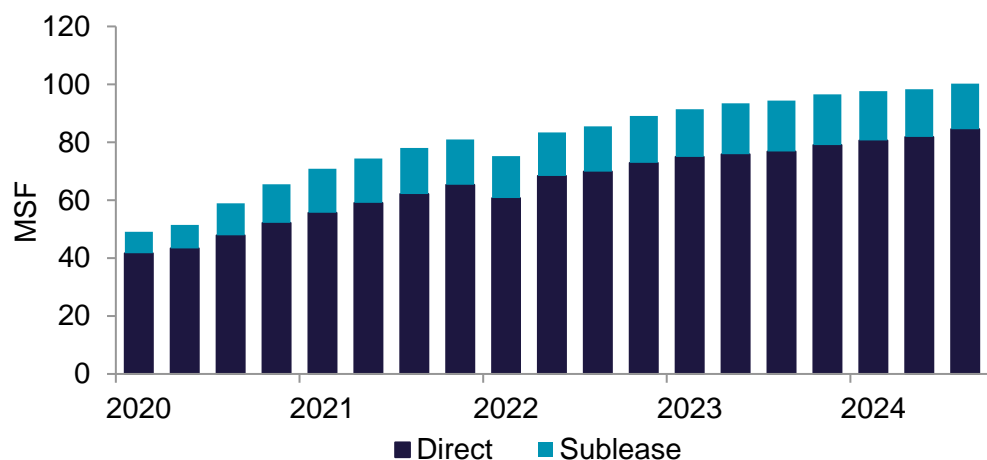
OVERALL VACANCY & GROSS ASKING RENT



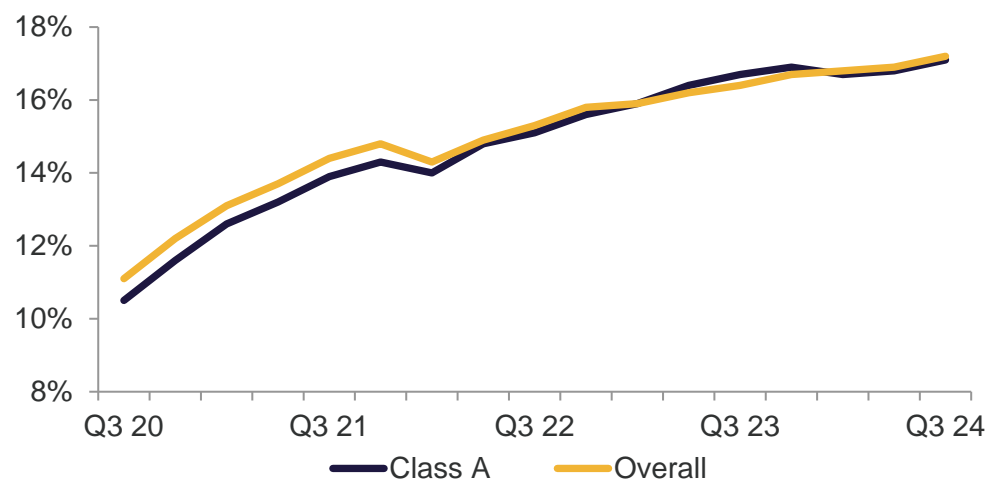
NEW SUPPLY



DIRECT VS. SUBLEASE VACANCY



CLASS A VS. OVERALL VACANCY



After a quarter of strong positive absorption, primarily driven by the arrival of close to 1.6 msf of nearly fully preleased new supply, absorption headed sharply back into negative territory to reach 1.4 msf. As discussed previously in terms of quarter-over-quarter (QOQ) changes in vacancy, it was notable weakening in the Central Class B&C market that was the largest contributor to the negative absorption this quarter. However, the Suburban Class A market also faced headwinds this quarter with negative absorption of 716k square feet (sf); its highest total of negative absorption since the first quarter of 2022. While the Vancouver market did have approximately 350k sf of Suburban Class A supply delivered this quarter in three properties, these buildings arrived almost fully vacant and therefore did not influence absorption levels. For both the Central Class B&C market as well as the Suburban Class A market, negative absorption occurred with the majority of the major Canadian cities and was not focused within one particular market. Like absorption, overall leasing activity had a similar QOQ decline, contracting by approximately 936k sf from last quarter to approximately 5.6 msf - the lowest quarterly leasing activity total in a year. This slowdown was witnessed in both the Central and Suburban markets across all classes of space.

Overall new supply reached 886k sf this quarter and was almost all located within Toronto and Vancouver. In Toronto a 461k-sf property was delivered in the Central Class A market and was approximately 82% preleased. In the Vancouver market, as previously discussed, three Suburban Class A properties were completed totaling 350k sf and were almost fully vacant. Looking to the remainder of 2024 an additional 669k sf is scheduled to be delivered, almost entirely within Vancouver. Currently approximately 60% of the total square footage has been preleased and therefore the vacancy arriving in those new builds will not have a significant impact on overall vacancy.

The overall average asking net rent edged up slightly in the third quarter of 2024 to \$22.42 per square foot (psf). This increase was the result of higher average asking net rents in the Central market as the overall average rate in the Suburban market was almost identical to last quarter. With the average additional rate remaining very close to last quarter at \$19.19 psf, this brought the overall gross rate to \$41.61 psf. While this movement in rates was not seen in all markets, the majority of the major markets witnessed a similar trend with slight increases to Central asking net rates and either unchanged or slightly lower Suburban asking net rents compared to last quarter.

OUTLOOK

- It is anticipated through the remainder of 2024 and into early 2025 vacancy will continue to climb, albeit at a slow pace, a result of the continued fluctuation in demand and occupiers continuing to determine their work-from-home/in-office/hybrid models.
- As occupiers continue to prioritize quality space the Central Class A market is expected to continue to outperform the rest of the market.
- The overall fluctuation in absorption levels will likely continue into 2025 with the last of the new supply deliveries from this latest construction cycle. This will be particularly evident in mid-2025 when Toronto will see the delivery of 141 Bay Street - a 1.4-msf project that currently is approximately 72% preleased - and will undoubtedly have considerable influence on the absorption totals.

MARKET STATISTICS Q3 2024

SUBMARKET	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION	YTD OVERALL ABSORPTION (SF)	YTD CONSTRUCTION COMPLETIONS (SF)	UNDER CONSTRUCTION (SF)	OVERALL AVG ASKING RENT (ALL CLASSES)*	OVERALL AVG ASKING RENT (CLASS A)*
Vancouver	69,585,320	1,505,978	6,126,858	11.0%	-225,950	880,804	1,857,921	3,174,307	\$54.97	\$58.68
Edmonton	29,576,675	399,450	5,093,152	18.6%	-23,273	165,479	0	0	\$32.86	\$37.37
Calgary	69,012,425	2,253,832	15,120,077	25.2%	469,055	630,846	0	0	\$33.01	\$37.77
Saskatoon	6,833,997	24,313	949,791	14.3%	43,204	123,987	0	0	\$35.88	\$41.89
Winnipeg	22,293,146	229,622	2,763,868	13.4%	-148,060	168,218	346,763	11,868	\$28.90	\$33.56
Toronto	188,575,372	6,433,469	26,093,417	17.2%	53,468	787,233	2,642,196	1,778,174	\$50.52	\$54.69
London	8,044,321	89,966	1,653,050	21.7%	8,107	-157,978	0	0	\$24.91	\$29.49
Kitchener	5,353,508	251,231	1,211,947	27.3%	-11,149	-74,727	0	35,000	\$31.26	\$33.19
Waterloo	7,225,788	360,294	831,043	16.5%	-22,504	-72,972	0	0	\$29.55	\$31.88
Ottawa	43,218,497	624,255	4,796,971	12.5%	-666,022	-528,828	29,000	72,000	\$35.85	\$40.94
Montreal	107,269,535	3,304,541	15,936,628	17.9%	-882,516	-2,162,916	135,200	97,692	\$36.08	\$42.60
Fredericton	2,278,872	37,294	263,259	13.2%	8,364	33,877	0	0	\$27.01	\$30.17
Saint John	2,433,139	42,972	833,736	36.0%	-23,801	-11,224	0	0	\$23.45	\$30.74
Moncton	3,063,033	14,000	522,994	17.5%	10,063	-48,955	0	38,764	\$26.55	\$30.99
Halifax	12,903,045	162,338	1,483,496	12.8%	-35,782	-70,490	0	0	\$30.55	\$32.77
Charlottetown	1,232,903	0	59,502	4.8%	15,439	24,273	0	0	\$24.51	\$25.28
St. John's	3,883,615	25,755	755,551	20.1%	-6,348	-9,086	0	0	\$34.43	\$40.11
NATIONAL TOTALS	582,783,191	15,759,310	84,495,340	17.2%	-1,437,705	-322,459	5,011,080	5,207,805	\$41.61	\$47.08

*Rental rates reflect full service asking

METHODOLOGY

Cushman & Wakefield's quarterly estimates are derived from a variety of data sources, including its own proprietary database, and historical data from third party data sources. The market statistics are calculated from a base building inventory made up of industrial properties deemed to be competitive in the local industrial markets. The inventory is subject to revisions due to resampling. Vacant space is defined as space that is available immediately or imminently after the end of the quarter. Sublet space still occupied by the tenant is not counted as available space. The figures provided for the current quarter are preliminary, and all information contained in the report is subject to correction of errors and revisions based on additional data received.

EXPLANATION OF TERMS

Total Inventory: The total amount of industrial space (in buildings of a predetermined size by market) that can be rented by a third party.

Overall Vacancy Rate: The amount of unoccupied space (new, relet, and sublet) expressed as a percentage of total inventory.

Direct Vacancy Rate: The amount of unoccupied space available directly through the landlord, excludes sublease space.

Absorption: The net change in occupied space between two points in time. (Total occupied space in the present quarter minus total occupied space from the previous quarter, quoted on a net, not gross, basis.)

Leasing Activity: The sum of all leases over a period of time. This includes pre-leasing activity as well as expansions. It does not include renewals.

Overall Weighted Asking Rents: NNN average asking rents weighted by the amount of available direct space in industrial properties.

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