

Industrial Q4 2021

YoY Chg 12-Mo. Forecast

1.4%
Vacancy Rate



8.4M
Net Absorption, SF



\$11.16
Asking Rent, PSF



3.0%
Rent Growth Q-Q



39.1M
Under Construction, SF



Overall, Net Asking Rent

ECONOMIC INDICATORS Q4 2021

YoY Chg 12-Mo. Forecast

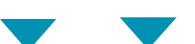
19.1M
Total Nonfarm Employment



2.8M
Industrial Employment



5.9%
Canada Unemployment Rate



Industrial Continues Its Remarkable Eight Year Bull Run

Industrial real estate continued a years long growth trend in the fourth quarter of 2021, with the events of the past two years only accelerating its growth. As the pandemic and lockdowns have fueled continued expansion of ecommerce and grocery delivery, the industrial market has reached a national vacancy rate below 1.5% for the first time ever. Core markets such as Vancouver and Toronto were even hotter, with vacancies below one percent; Montreal also reported a drop to sub-2% vacancy. Some Maritimes markets were at less than half the vacancy rate of only a year before, with Moncton, Halifax and Fredericton recording sharp drops over 2021. While industrial vacancy nationally measured 5% or less since 2016, a combination of strong population growth, ecommerce adoption and land scarcity pushed vacancies to record lows.

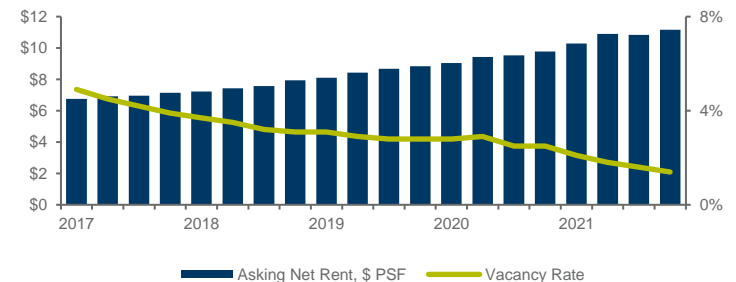
Given declining vacancies, it is no surprise rents are at all-time highs. The national industrial asking rent increased more than 15% since the end of 2020, with particularly strong gains in Calgary and Kitchener/Waterloo. In terms of prices, Vancouver remains the most expensive market in the country by a large margin, with net rents at almost \$15 net per square foot, far beyond the already high levels of Ottawa and Toronto. The effect of a series of natural disasters in British Columbia, notably extreme flooding in the fourth quarter, remains to be seen; while there has been a fairly rapid recovery, it is possible the markets will experience impacts on shipping and warehousing in the first quarter of 2022.

Given the land constraints in some markets, the first attempts to densify warehouses appeared, with Vancouver building its first multi-level industrial property; this trend began in the U.S. as well and seems likely to continue as land is increasingly expensive and difficult to obtain. The two largest industrial markets have land constraints in the form of a “greenbelt” (Toronto) or “agricultural land reserve” (Vancouver) that may require operators and developers to get creative. The combination of light industrial in mixed-use developments is also beginning to appear as a trend in the severely land-constrained markets and may trickle down to other markets in the future.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING NET RENT



New supply is highly concentrated in Toronto, with 53% of industrial space delivered in 2022 centred in the Greater Toronto Area. In terms of existing inventory, the Toronto area now accounts for roughly half the entire national market, more than double the size of Montreal and quadruple the Vancouver market (note: Edmonton is not included in our national industrial data). Given the strength of the market and tenant demand, most of the new supply is built on spec in the major markets.

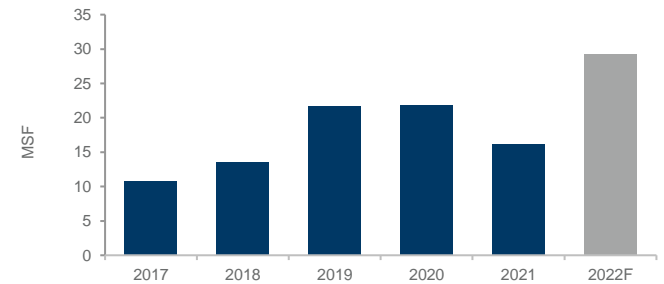
While 2020 was a down year for absorption - still very positive at ~16 million square feet (msf) - 2021 returned to more normal levels of ~28 msf nationally, above the levels at the end of 2018 and 2019 which were both ~24 msf. Absorption nationally in the fourth quarter was positive for a remarkable 32nd consecutive quarter. Although inventory in Calgary is still well behind Montreal and Vancouver, the market reported a remarkable acceleration in 2021, with over 10 times the absorption of 2020 and a seven-year high leasing activity in the fourth quarter of 2021. As a result, the Calgary market captured the second most absorption in 2021 reaching 1.8 msf. Canadian industrial markets remain some of the strongest in North America

The bull market for industrial seems bound to continue, as the macro picture is favourable despite the pandemic. A strong labour market in major cities, continued population growth and immigration, and land supply constraints will continue to drive higher prices for warehousing and distribution. Despite the expansion of industrial real estate inventory, warehousing employment has not grown as quickly; it's possible that cost pressures and labour shortages have caused operators to invest more heavily in robotics and automation. Declining completions and rising construction costs do present some concerns, but despite that we forecast record high new supply in 2022 and continued positive absorption and rising asking rents in the industrial sector.

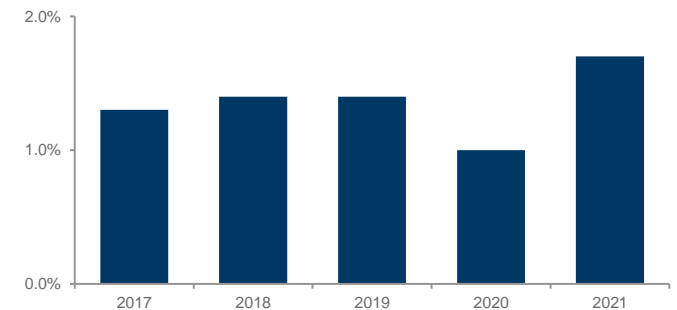
OUTLOOK

- There are no indications that the industrial markets will begin to cool in 2022.
- Absorption totals will remain high from a historical standpoint; however, levels may begin to come down slightly as in many markets there is simply no space to absorb other than into new construction.
- With historical low vacancy, in combination with rising construction costs and the shrinking availability of land, rental rates are anticipated to continue to rise steadily.

NEW SUPPLY



NET ABSORPTION AS % OF INVENTORY



Industrial Q4 2021

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	219,316,106	1,332,686	0.6%	877,129	3,746,584	8,430,037	2,555,646	\$14.99	\$4.88	\$19.87
Calgary	134,984,595	6,725,003	5.0%	1,834,515	5,748,325	7,978,489	2,185,845	\$9.98	\$4.83	\$14.81
Waterloo Region	90,234,602	1,215,971	1.3%	448,095	1,106,686	1,493,247	682,496	\$8.59	\$3.47	\$12.06
Toronto	802,838,743	5,938,179	0.7%	3,270,387	14,024,334	14,191,070	8,764,583	\$11.70	\$4.30	\$16.00
Ottawa	24,504,366	500,895	2.0%	668,570	533,376	2,710,966	75,940	\$11.70	\$5.83	\$17.53
Montreal	338,790,704	5,383,885	1.6%	1,368,363	2,752,548	4,019,673	2,115,131	\$8.68	\$2.97	\$11.65
Fredericton	475,425	7,770	1.6%	9,730	22,309	0	13,750	\$7.67	\$4.68	\$12.35
Saint John	517,123	70,982	13.7%	-30,092	-9,832	0	0	\$7.35	\$3.79	\$11.14
Moncton	4,549,098	393,050	8.6%	1,916	258,669	0	57,000	\$6.07	\$3.19	\$9.26
Halifax	8,260,480	325,987	3.9%	5,641	317,940	151,200	90,335	\$8.00	\$5.40	\$13.40
St. John's	4,150,496	533,585	12.9%	-26,108	-31,873	0	110,000	\$12.03	\$3.46	\$15.49
NATIONAL TOTALS	1,628,621,738	22,427,993	1.4%	8,428,146	28,469,066	38,974,682	16,560,468	\$11.16	\$4.12	\$15.29

*Rental rates reflect asking \$psf/year

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