

	YoY Chg	12-Mo. Forecast
1.2% Vacancy Rate	▼	▬
4.4M Net Absorption, SF	▼	▲
\$13.99 Asking Rent, PSF	▲	▲
13.2% Rent Growth Q-Q	▲	▲
40.3M Under Construction, SF	▲	▲

Overall, Net Asking Rent

ECONOMIC INDICATORS Q2 2022

	YoY Chg	12-Mo. Forecast
19.3M Total Nonfarm Employment	▲	▲
2.7M Industrial Employment	▲	▲
4.9% Canada Unemployment Rate	▼	▬

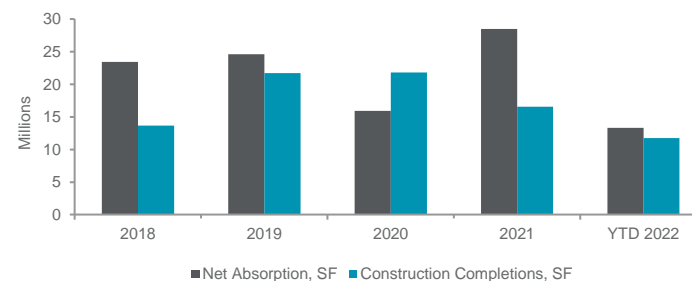
Little Relief for Industrial Occupiers in Q2 2022

The June 2022 labour force survey released by Statistics Canada reported the Canadian unemployment rate declined to a new record low of 4.9%, down from 5.1% last month. Driving this decrease was not an increase in employment, which fell by 43,000 in June, but rather that there were fewer people searching for work. Employment in the services-producing sector declined by 76,000, spread across multiple industries, while employment rose by 33,000 in the goods-producing sector with gains in construction and manufacturing. The one industry in the goods-producing sector to see an employment decrease in June was natural resources. Employment had been trending upward since December 2021, but this past month's decrease brought employment down to June 2021 levels. Employment in some areas of this sector – such as oil and gas, mining and forestry - may be particularly vulnerable due to the instability in global commodity markets.

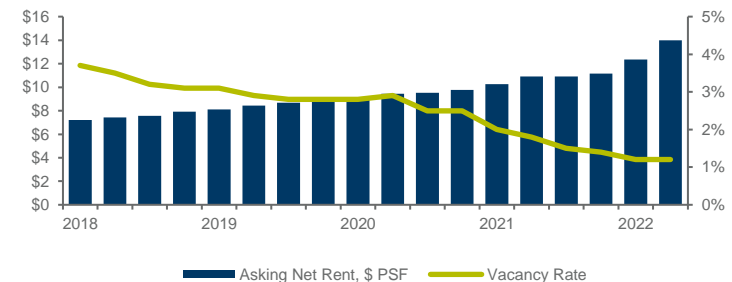
Industrial demand remained strong across the country, with absorption in the second quarter of 2022 totaling approximately 4.4 million square feet (msf). While this figure represents the lowest total since the pandemic began, there are a few factors contributing to that decline. New supply arrivals were lower than the previous two quarters of about 2.0 to 3.0 msf and perhaps more importantly with vacancy being so low in existing product there is simply less space to be absorbed. In a slight departure from what had been the case in recent quarters, it was not Toronto that led the way in absorption totals this quarter but rather Calgary which had close to 1.6 msf of positive absorption this quarter. Helping to boost these totals was just over 1.1 msf of new supply which arrived on the Calgary market with only 170k square feet (sf) of vacancy in these buildings.

Unlike absorption which did slow this quarter, leasing activity continued to climb and reached 14.5 msf, its highest total since the second quarter of 2021. Most of the major markets had strong levels of leasing activity this quarter, particularly in Toronto and Calgary. This is a good indication that the industrial sector will remain fiercely competitive at least in the short-term, with vacant space is being scooped up quickly in both existing and under construction product.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING NET RENT



Overall Canadian industrial vacancy continued to reach new lows in the second quarter of 2022 and now sits at 1.2%. Total vacant space across the country (in existing inventory) currently totals just over 20.0 msf, approximately 30.6% lower than what was vacant in the second quarter of 2021, which translates into a decrease of 8.8 msf year-over-year. Of all Canadian markets that are tracked only two had increases in vacancy compared to last quarter, and those were for the most part minimal. There are currently seven Canadian markets that are either at, or below, 2.0% vacancy.

There was a decline in the total square footage amount of new supply arrivals this quarter at close to 4.1 msf, with developments arriving in Vancouver, Calgary, London, Toronto and Montreal. Although most of the new product was constructed on a speculative basis, the arrival of this new supply did little to provide options for new space as out of the total square footage completed, only 501k square feet arrived as vacancy, or to put it a different way these buildings were 88% preleased before completion.

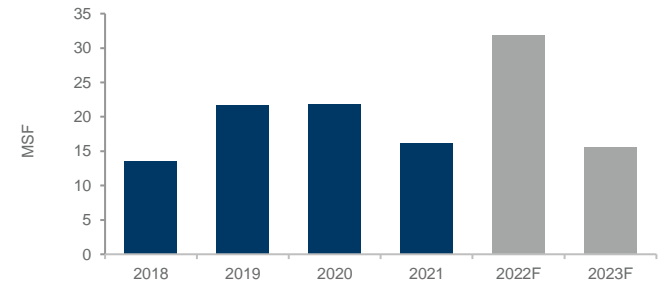
It is anticipated that new supply arrivals will ramp up in the second half of 2022 totaling 20.1 msf. However, that is expected to provide few options for industrial occupiers in need of space. Although again most of these builds are being built on “Spec”, it is highly likely the vast majority of the space will be preleased upon completion, particularly given the strong leasing activity the market has seen in recent quarters.

These very competitive market conditions have given rise to historic levels of rental rate growth. In the second quarter of 2022 the overall average asking net rent reached \$13.99 per square foot (psf). This represents growth of 13.2% quarter-over-quarter and 28.3% year-over-year. Multiple markets have seen double digit growth in their overall asking net rents compared to last quarter as well as last year. Given the current landscape there is no indication this continued escalation will pause.

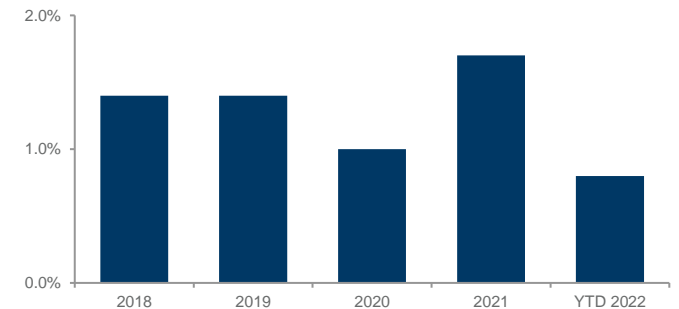
OUTLOOK

- It will almost certainly remain a landlords’ market for the foreseeable future.
- Absorption totals in 2022 will likely surpass 2021 – which itself was a total not seen in 21 years.
- Currently new supply arrivals are expected to slow in 2023; however, if demand remains at current levels it is expected that new projects will be launched – if of course developers can find the land to build on.

NEW SUPPLY



NET ABSORPTION AS % OF INVENTORY



Industrial Q2 2022

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	224,018,284	1,035,724	0.5%	708,716	1,972,007	8,146,001	1,739,200	\$18.00	\$5.46	\$23.46
Calgary	136,943,683	5,325,944	3.9%	1,596,154	2,534,327	8,746,913	1,432,473	\$10.63	\$5.10	\$15.73
Waterloo Region	90,741,108	657,364	0.7%	232,754	1,065,113	1,133,558	506,506	\$9.48	\$3.98	\$13.46
London	40,174,250	756,541	1.9%	-61,525	-222,835	926,600	106,200	\$8.95	\$3.17	\$12.12
Toronto	804,344,990	5,790,192	0.7%	1,375,703	3,859,063	17,246,516	3,719,728	\$15.24	\$4.50	\$19.74
Ottawa	26,688,224	485,263	1.8%	40,789	2,659,650	555,815	2,710,966	\$12.84	\$7.61	\$20.45
Montreal	340,353,403	5,119,000	1.5%	201,272	983,793	3,310,351	1,514,860	\$11.92	\$3.85	\$15.77
Fredericton	475,885	7,341	1.5%	2,250	429	0	0	\$7.70	\$4.68	\$12.38
Saint John	512,123	62,832	12.3%	140	8,150	0	0	\$7.26	\$3.81	\$11.07
Moncton	4,546,001	216,521	4.8%	87,976	176,529	121,872	0	\$6.08	\$3.19	\$9.27
Halifax	8,274,517	336,665	4.1%	-25,146	-10,678	151,200	0	\$8.40	\$5.50	\$13.90
St. John's	4,157,602	228,927	5.5%	283,314	292,658	0	0	\$12.01	\$3.45	\$15.46
NATIONAL TOTALS	1,681,230,070	20,022,314	1.2%	4,442,397	13,318,206	40,338,826	11,729,933	\$13.99	\$4.53	\$18.52

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