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# Canadian Commercial Real Estate Outlook

**January, 2023**

# Economy and Capital Markets

01

# **Macroeconomic** overview

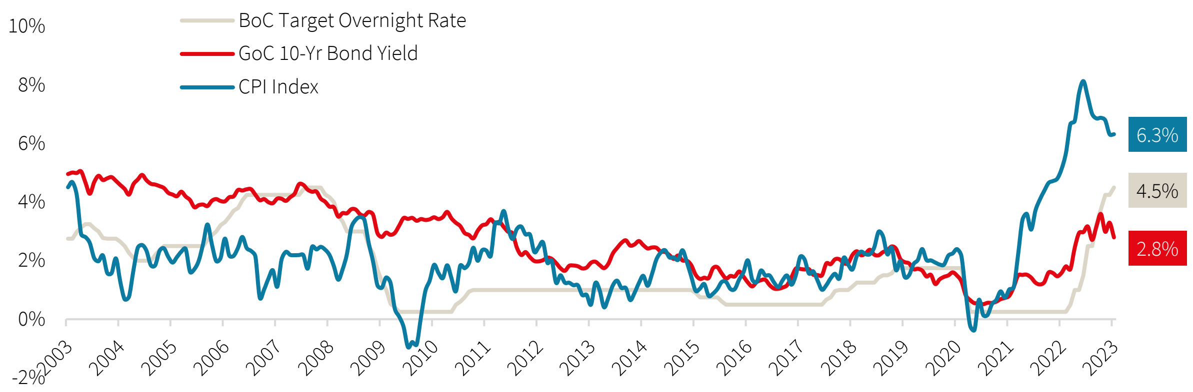
### Inflation: is 2-4% the new 1-3%?

Inflation reached its highest point in several decades, peaking at over 8% in June. To combat this, the Bank of Canada lifted its overnight interest rate from 0.25% in January 2022 to 4.50% by January 2023 (see Figure 1). This was the sharpest rate hike cycle in Canadian history, and it has been mirrored by most central banks around the world.

The hike has succeeded in pushing inflation down to 6.3%, an improvement but well above the BoC's inflation target of 1-3%. Several factors are likely to keep inflation above this band in 2023: high energy and food prices resulting from the Ukraine War and sanctions against Russia, rising wages domestically and in global manufacturing hubs, the Chinese economy's rebound from a COVID-induced slumber, and housing shortages in a growing number of urban centres.

An important effect of high inflation is rising bond yields, as investors demand higher returns to offset inflation's eroding impact on their expected cash flows. Because investors use bond yields as a benchmark to price real estate, expectations for real estate yields (i.e. capitalization rates) have been adjusted upward as well, resulting in a general devaluation of assets (see Figure 5).

### Figure 1. Inflation, interest rates, and bond yields



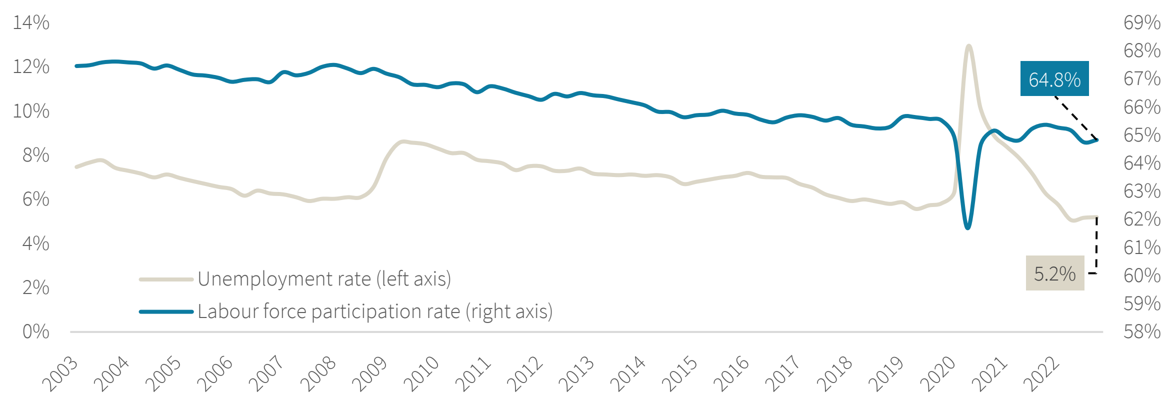

Source: Bank of Canada, Statistics Canada

### Despite the near-term slowdown, labour markets are historically strong and will remain so

The trajectory of the labour market will greatly influence the Bank of Canada's policy on inflation. This is because peoples' expectations of high inflation will lead them to expect higher wages, which will reinforce more inflation, leading to a wage-price spiral that will be difficult to unravel. Therefore, the Bank is trying to engineer a deceleration of wage growth without causing widespread layoffs. Thus far they have succeeded. As inflation falls, unemployment remains extremely low at 5.2%, and as of December job growth remained positive.

Critically, as baby boomers move into retirement, and many others became burnt out during the pandemic and left their jobs, labour force participation has steadily dropped over time. This has kept wages high and contributed to inflation. Lack of available labour could complicate the BoC's efforts to reduce inflation because, even in a slower economy, workers could have enough leverage to keep upward pressure on wages. On a positive note, a strong labour market should limit the severity and duration of any downturn.

### Figure 2. Unemployment and labour force participation




Source: Statistics Canada

# Macroeconomic overview

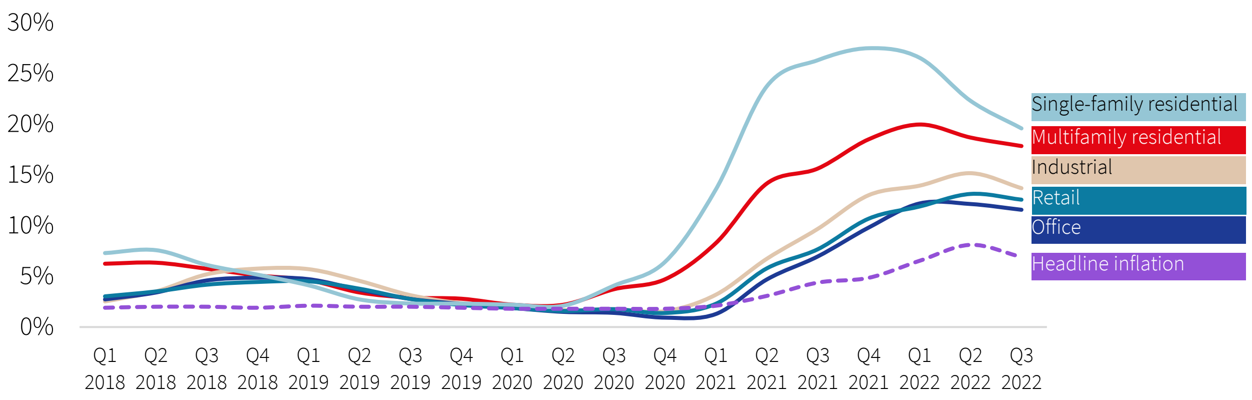
## Construction costs remain elevated, but are easing

Coming out of the pandemic, an imbalance between soaring demand for goods and services and hamstrung supply chains led to price increases for key building inputs including materials, transportation, and labour. Builders have been dealing with unprecedented delays and cost overruns ever since as they compete for these scarce inputs. Residential developers, especially single-family residential, felt these cost increases more than other sectors (see Figure 3).

Over the past six months, rising interest rates have slowed demand, allowing supply chains to catch up. There is evidence of this in falling construction cost growth for different property sectors since Q1 2022.

However, even though developers have more clarity on costs and timelines, they now have less clarity on final demand, and this is leading to project cancellations. It is likely that construction starts in key areas like residential and industrial may have already peaked.

**Figure 3. Construction cost inflation by property sector, change vs. previous year**




Source: Statistics Canada

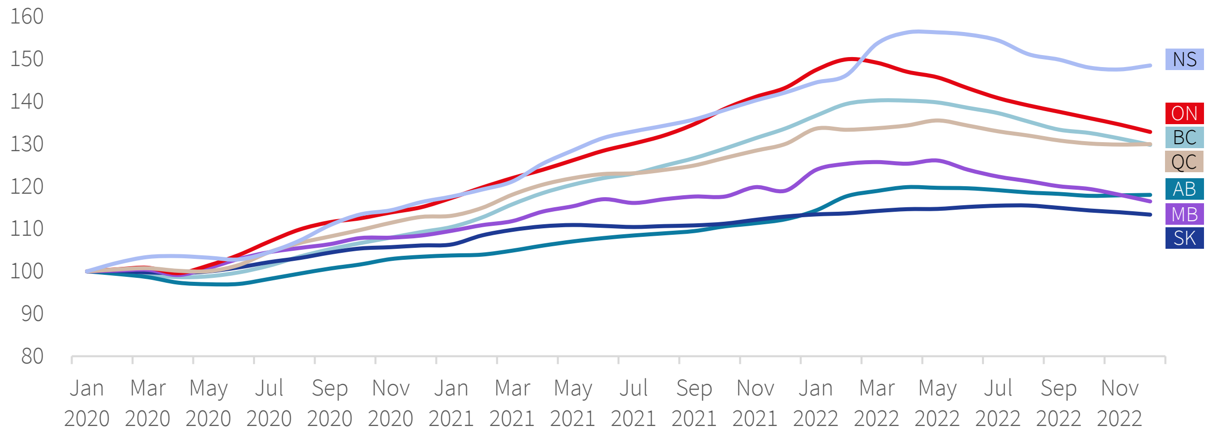
## Housing prices falling back to earth, but rising mortgage costs could weigh on consumer spending in 2023

Housing prices are falling back to earth across much of Canada after hitting a peak in early 2022. On a relative basis, prices rose the most in Nova Scotia, Ontario, British Columbia, and Quebec and least in the prairie provinces of Alberta, Manitoba, and Saskatchewan (see Figure 4).

Rising financing costs have dampened housing demand and resulted in a sharp correction with prices down 14.5% from the early 2022 peak. Still, housing prices remain very high relative to pre-pandemic levels, up 29% from January 2020 on average.

Housing expenditures are currently at 105% of GDP, compared to 78% of GDP in the US. With more discretionary income earmarked toward paying down mortgages, we might see a cutback in retail spending in 2023. However, there is very little evidence of systemic risk; according to the Canadian Bankers Association, an extremely low rate of mortgage arrears means that households are going into this downturn in better financial health than in past downturns.

**Figure 4. CREA residential housing index, 2020-2022**




Source: Canadian Real Estate Association
January 2020 = 100



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# **Capital Markets** overview

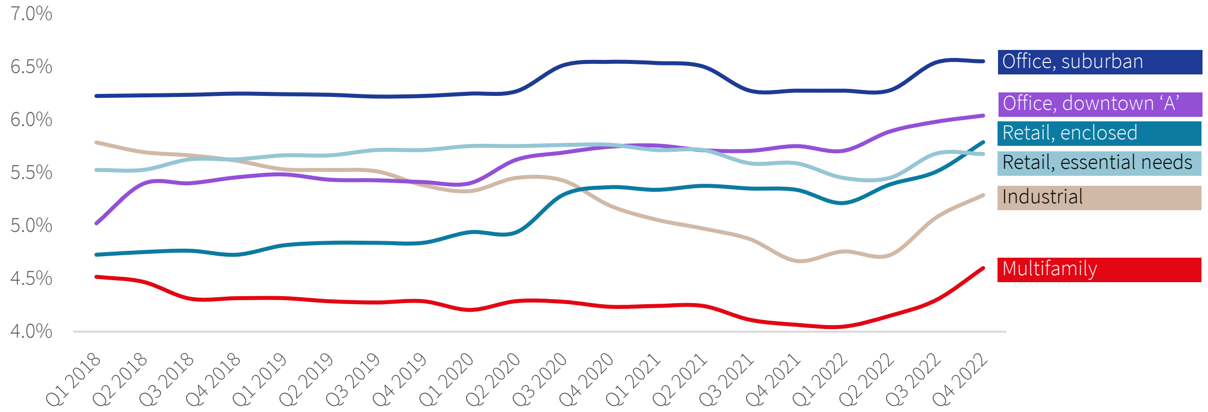
## Asset re-pricing drives upward pressure on capitalization rates

Rising bond yields pushed lenders to raise their all-in rates by 175-275 bps since the beginning of 2022. Consequently, attaining financing for acquisitions, development, or operations has become more expensive and less available. Unable to tap into as much debt financing, prospective buyers have had to trim their bids.

This has led to a re-pricing across the entire market, which is reflected in higher capitalization rates (see Figure 5.). The sharpest re-pricing has occurred in the industrial and multifamily sectors where building values had appreciated the most, and where buyers were most dependent on debt financing to achieve returns.

Downtown class 'A' office and enclosed retail have seen capitalization rates moving upward for several years and therefore saw a more gradual increase in 2022. Essential needs retail has arguably been the asset class that has most retained its value amidst higher interest rates, perhaps owing to the defensive and countercyclical nature of much of its tenant base.

**Figure 5. Average capitalization rates by asset class**




Source: JLL Research, Altus

## Transaction activity slows considerably, will rebound in second half of 2023

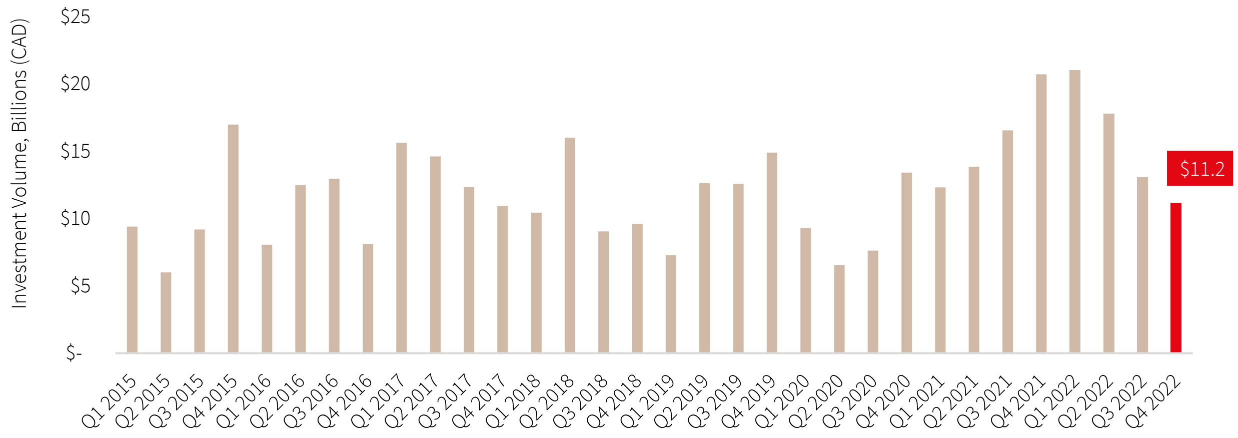
2022 was a record year in Canada for investment sales at $63.6b, up from $63.1b in 2021*. However, looking at investment volumes on a quarterly basis reveals that the market slowed considerably after Q1, when investors were rushing to close deals before the impending rate hikes.

We expect this period of price discovery to continue through the first few months of 2023, as buyers and sellers remain far apart on their underwriting assumptions and pricing expectations. However, there is still a significant amount of capital sitting on the sidelines and, as with any period of adjustment, opportunities will arise.

The period of repricing is likely to see some winners and losers, but the volatility of debt costs will eventually ease, and investors will have more clarity. We expect that investment volumes will rebound in the second half of 2023.

*Using a cutoff threshold of sale transactions above $5m.

**Figure 6. Quarterly investment volumes, Canada**




Source: JLL Research, Altus, Real Capital Analytics, Gettel Network
All transactions > $5m, direct and entity level

# **Capital Markets** overview

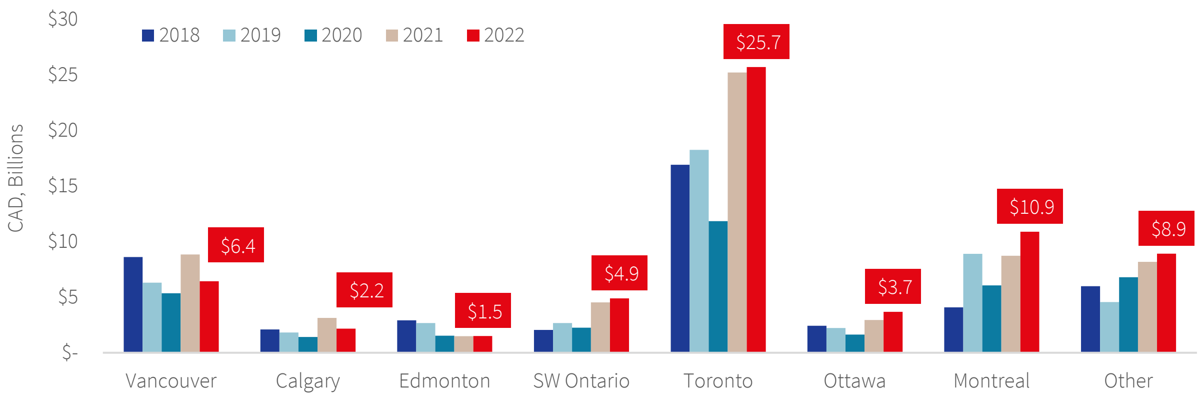
### Eastern Canada sees record deal volume in 2022

Capital flows were abundant across all markets, especially in the first half of the year. Eastern Canadian markets such as Southwestern Ontario, Toronto, Ottawa, and Montréal all saw record levels of liquidity. Western Canadian markets, notably Alberta, saw a recovery owing to rising energy prices, high immigration, and stronger economic performance coming out of the pandemic. Notably, 2022 was a relatively slow year in Vancouver, where capital flows were down 9% from their five-year average (see Figure 7).

2022 was also a strong year for secondary and tertiary markets (see "Other"). Cities like Kelowna, Victoria, Quebec City, Barrie, London, and Niagara Region accounted for growing investment volume as they benefit from favourable demographics and strong economic growth.

Private buyers, especially those who are less dependent on leverage, are dominating the market. Private capital accounted for 58% of investment volume across Canada, with fund managers and REITs contributing 15% and 10%, respectively.

**Figure 7. Annual investment volumes by market**




Source: JLL Research, Altus, Real Capital Analytics, Gettel Network
All transactions > $5m, direct and entity level

### Investors continue to focus on industrial, multifamily, and land

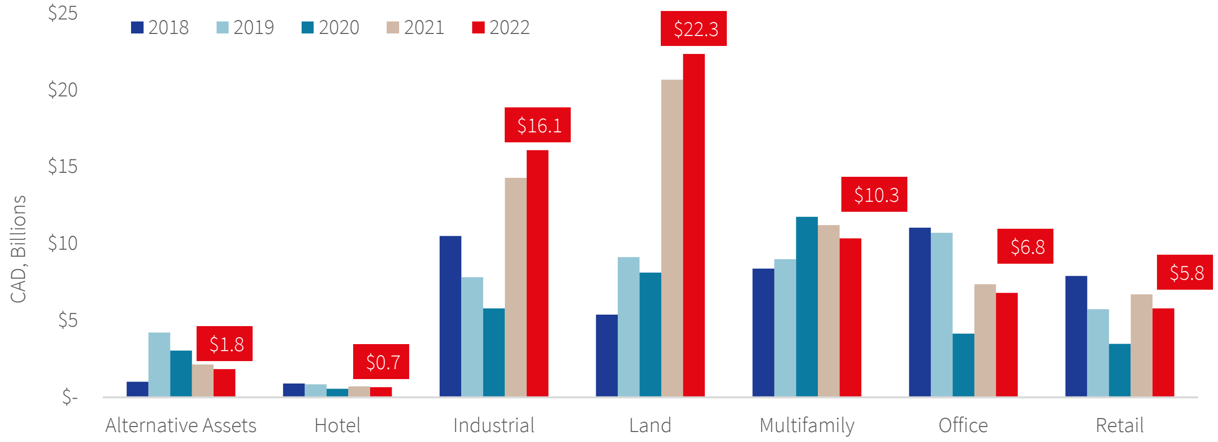
Land sales continued to dominate the Canadian market in 2022, accounting for a record 35% of total investment volume. The land market was particularly active in Vancouver, where 60% of investment volumes were associated with land sales, mostly on high-rise residential development sites.

The industrial market stayed hot with over $16b in sales. Top transactions were the Cominar REIT industrial portfolio that was sold to PIRET, Broccollini's Barrhaven distribution centre in Ottawa which was sold to Crestpoint, and multiple GTA industrial portfolios.

Multifamily sales fell for the second straight year, though there were several sizeable portfolio acquisitions including Centurion Apartment REIT and CAPREIT in Montréal, and Hazelview and Starlight in Ontario.

Office sale volume was $6.8b. Top transactions were the Cominar REIT office portfolio and Pontagadea's acquisition of Royal Bank Plaza in downtown Toronto.

**Figure 8. Annual investment volumes by property sector**




Source: JLL Research, Altus, Real Capital Analytics, Gettel Network
All transactions > $5m, direct and entity level

# Key Trends

02

# **Key Trends** Industrial

- **Liquidity remains strong despite repricing:** Industrial sales in Canada reached $3.2b in the fourth quarter, bringing the yearly total to just over $16b, the highest ever. While Q4 sales volumes were off the pace set in late 2021 and early 2022, sales are running well above their 5-year average.
- **Short-WALT industrial seeing strongest pricing:** Valuations on industrial assets have taken a hit as buyers struggle with rising debt costs. However, assets with near-term lease expiries – or a lower Weighted Average Lease Term (WALT) - have maintained more value as they present an opportunity to capitalize on rental growth in the short-term.
- **Leasing activity shifts away from e-commerce:** 3PL and logistics users dominated large lease activity in 2022 with over 40% of total leasing volume. Meanwhile, e-commerce leasing dropped from a quarter of all leasing volume in 2020 to about 5% in 2022.
- **Historic rental growth continues:** Annual rental growth reached an astonishing 30.5% in Q4. Montréal led the way with an increase of over 60% while Edmonton was the only market not to register double digit growth at only 1.7%.
- **Development pipeline has peaked.** Though it remains at near-record levels, space under construction peaked in Q3 2022 and fell slightly in Q4 2022. With uncertainty on debt financing and construction costs, the market might be challenged to sustain the same pace of construction. This should keep upward pressure on rents in the near-term.
- **Vacancy ticks up 10 bps:** The enormous level of industrial completions to close out the year pushed the national vacancy rate up by a marginal 10 basis points between Q3 and Q4, ending a nine-quarter run of falling vacancy.

**Figure 9. Industrial development pipeline and pre-leasing by market**

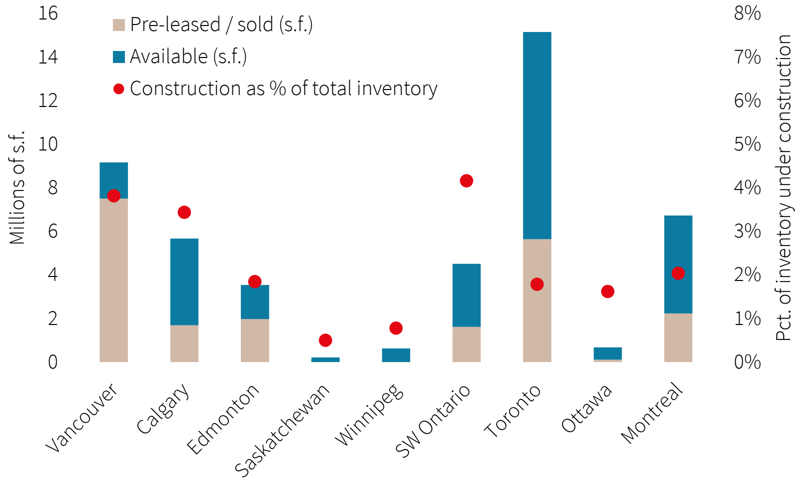
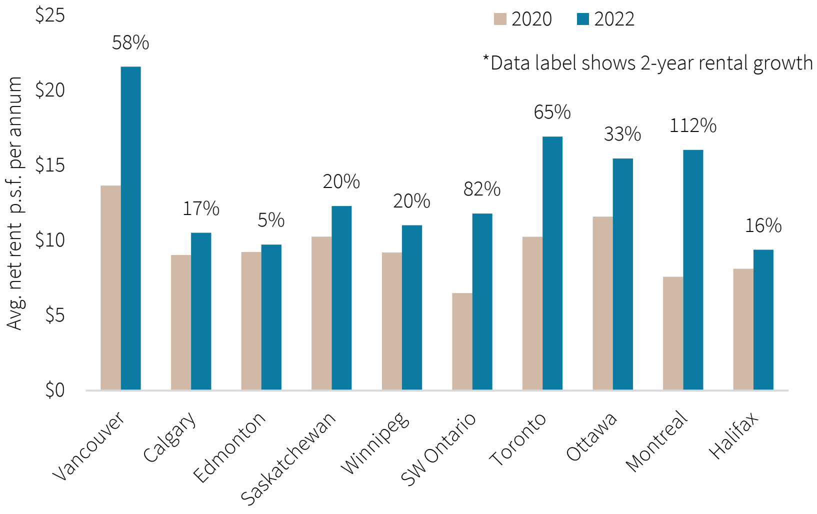



**Figure 10. Average industrial rent by market, 2020 vs. 2022**

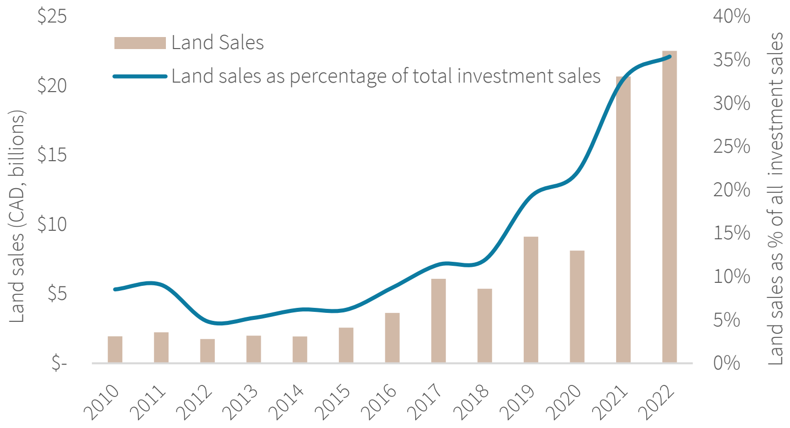



Sources: JLL Research

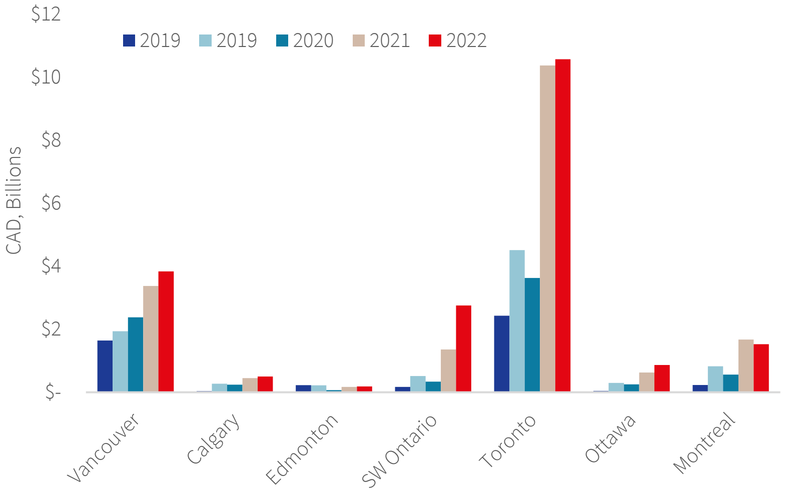
# **Key Trends** Land and Development

- **Land continues to trade, but transaction activity slowing:** Investment into development sites fell below $4b for the fourth quarter, totalling $22.5b for the year and accounting for about 35% of all sale volume in Canada.
- **Rising interest rates leading to sharp re-pricing of residential condo land:** Expected returns on condo development sites are taking a hit due to 1) high construction costs, 2) high debt financing costs, and 3) lower sale prices that diminish anticipated revenues. This will dampen new supply in the near-term as some projects will be deemed financially unfeasible.
- **Whack-a-mole price volatility remains a major challenge:** After lumber and steel prices spiked in 2021, they have stabilized thanks to supply chain management and onshoring. This year the main culprits have been energy products, cement, glass, plastics, and semiconductors for equipment and machinery. Much of the supply chain volatility this year can be traced to the geopolitical disruptions caused by the war in Ukraine. But the resolution of this conflict will also have an inflationary effect; as the country looks to rebuild, it will create a spike in demand for building materials.
- **Some cost relief is within sight :** While costs remain high on the aggregate, the rate of cost growth is slowing as bottlenecks begin to ease, inventories unwind, and lower commodity prices dampen cost pressures. This could suggest that cost stabilization is not too far off.
- **Lenders increasingly cautious on construction loans:** Lenders are generally requiring developers to inject further equity as interest reserves burn off fast. Developers with light pockets are increasingly at risk of default or cancelling projects, and there could be near-term opportunity for distressed debt players. Some construction capital is available for supply-starved sectors like industrial and senior housing, but lenders are scrutinizing deals more than ever.

### Figure 11. Total land sales, Canada




### Figure 12. Land sales by market, 2019-2022*

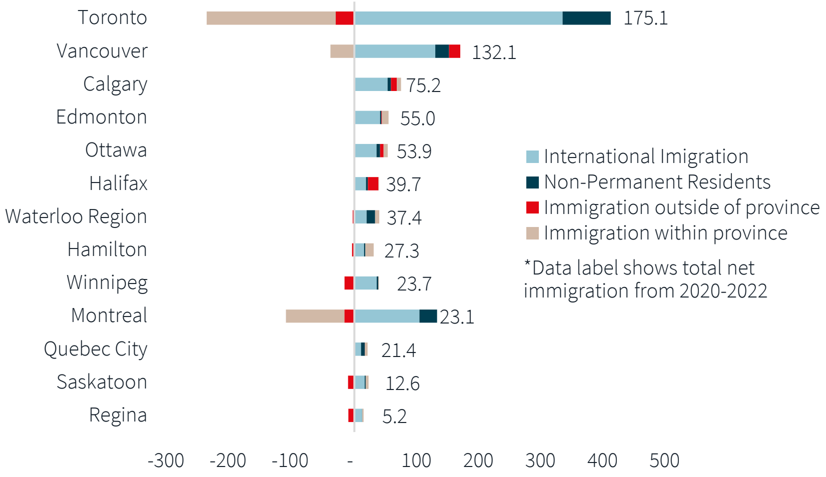



Sources: JLL Research, RCA, Altus, Gettel Network.
All transactions > $5m, direct and entity Level, excludes residential lots and residential occupier purchases
*Not available for Halifax, Saskatchewan, and Winnipeg

# **Key Trends** Multifamily

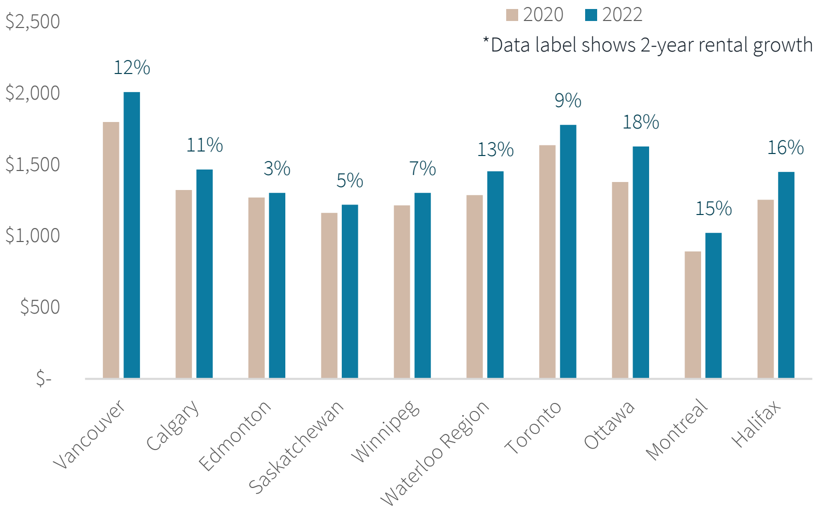
- **Multifamily vacancy is at a 20-year low:** According to CMHC's 2022 Rental Market Report, nationwide multifamily rental vacancy rate stands at 1.9%, and average market rent growth was 4.6% nationally. Halifax (8.9%) and Waterloo Region (7.2%) saw the highest growth in average rents. Turnover rates continued to fall as steep rent increases for new leases dissuade tenants from moving.
- **Multifamily rental construction at historical peak**: Canada delivered 68,856 rental units in 2022, the highest amount in at least 30 years. Construction starts are also at a historic high of 79,615.
- **Rising interest rates will support multifamily demand**: Interest rate hikes and the resulting increase in borrowing costs are dissuading many from buying homes, therefore adding to demand in the rental market. This is driving rental growth in all major urban centres.
- **Interprovincial migration and growing secondary markets**: As inflation steepens and wages remain stagnant, many Canadians living in core cities are choosing more affordable places to call home. Alberta has seen the highest interprovincial migration since the pandemic, but cities like Halifax, Hamilton, and Gatineau have seen strong population growth as people search for affordable options near major cities.
- **Provincial caps on rental growth fall far short of inflation**: Provincial caps on rent increases have been set for 2023: 2.5% in Ontario and Quebec and 2% in BC. These increases fall far short of the annual inflation rate. With landlords absorbing sizeable increases to operational expenses like insurance, utilities, and property taxes, these caps will squeeze cash flow and landlords will increasingly put off repairs and maintenance as a result.

**Figure 13. Components of population growth, 2020-2022 thousands of people**




Sources: JLL Research, Statistics Canada, CMHC

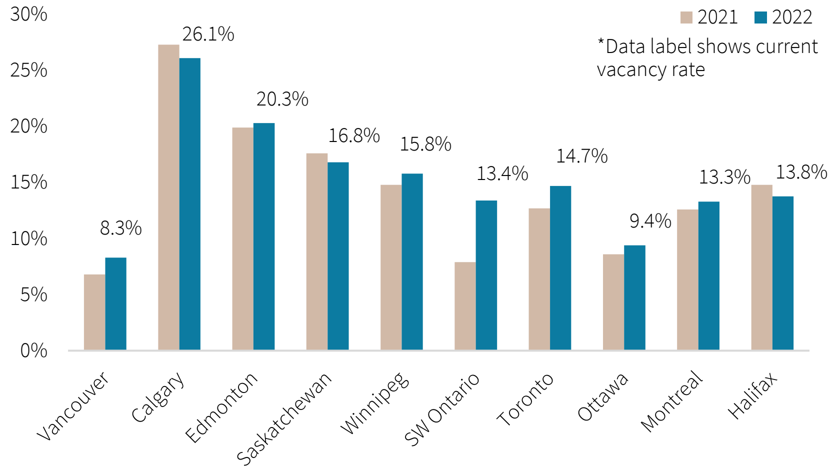
**Figure 14. Average in-place rents, 2-bedroom apartments, 2020 vs. 2020**




# **Key Trends** Office

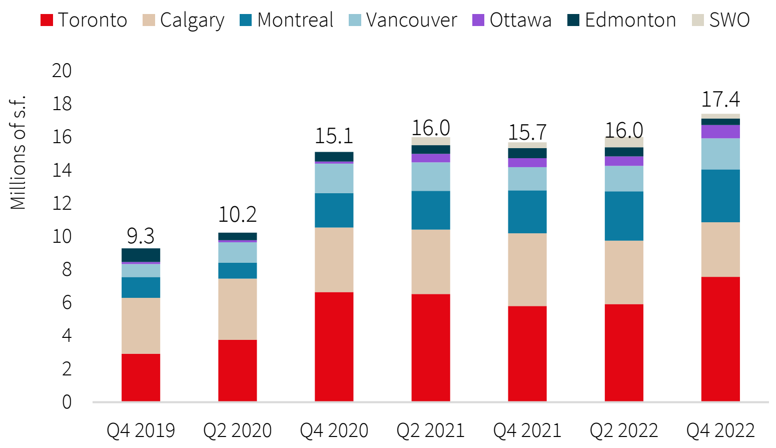
- **Tech downturn will slow leasing in the short-term:** The looming market downturn will decrease demand on the aggregate with the tech sector likely to see disproportionate layoffs and a reduction in overall footprint. As of January, this has been contained mostly to the United States; however, at best, Canadian tech is expected to maintain current headcount.
- **Softening labour market could provide RTO tailwinds:** As labour market momentum has slowed, hiring for remote functions has shown a notable reversal. A rising share of new hire contracts include mandatory in-person office attendance to combat return-to-office (RTO) challenges.
- **Built-out sublets a hot commodity:** With tenants eager to shed costs, many are looking to lease built-out sublets, which can deliver vast capex savings. In many markets, these sublet opportunities are becoming increasingly competitive with direct new construction availabilities for top-end tenants.
- **Landlords will become more judicious with capex:** As vacancy creeps up and construction costs remain elevated, developers will curtail new development. Rising costs will also cause some landlords to scale back on capital improvements such as building upgrades, amenities and experiential services. Landlords will attempt to preserve as much capital as possible for tenant inducements to boost occupancy.
- **'B' and 'C' class office conversions on the rise:** As lower grade office buildings increasingly come under pressure with rising vacancy and slumping rents, landlords are looking to convert to different uses where it makes sense. Across Canada, we have noted over 4 million s.f. of office space that have been converted to a different use, or a conversion has been proposed. About 70% of this is slated for apartments, another 25% for life science labs, and the remaining 5% is earmarked for industrial conversion. Toronto (918k s.f.), Edmonton (717k s.f.), Ottawa (667k s.f.), and Calgary (665k s.f.) are leading the way on office conversions.

**Figure 15. Office vacancy by market, 2021 vs 2022**




Sources: JLL Research
* Data unavailable in Saskatchewan, Halifax, Winnipeg

**Figure 16. Historic office sublet availability, Canadian markets (millions of s.f.)***




# **Key Trends** Retail

- **Retail sales growth will moderate:** Despite the recent deterioration in consumer sentiment, core retail sales in Canada should grow 2-3% this year, with all or most growth coming from inflation rather than from an increase in the volume of purchases. In 2022, core retail sales rose 7% year-over-year.
- **In-person shopping and experience-seeking highlight the 2022 holiday season:** Weary of inflation, rising interest rates, and declining home values, Canadians had put off holiday purchases as long as possible, contributing to a weaker November. Shoppers were more confident in December, however, largely overriding their intentions to cut back significantly in the spirit of the holidays and lower gas prices. In one of the strongest performances in the past decade, retail sales over the holiday season rose about 6% year-over-year.
- **Discount stores set to shine:** Discount stores are expected to continue their expansion in 2023. With higher inflation, shoppers are adjusting their spending strategies to get more out of their wallets, including visiting discount stores more often. Dollarama, Costco, and Walmart are leading the pack of discount retailers with the strongest sales growth.
- **Decline in vacancy for major shopping centres:** The overall vacancy rate for Canada's major shopping centres has continued to decline and is now lower than before the pandemic. However, not all malls are experiencing the same vacancy changes, and several remain above pre-pandemic levels. Recent announcements of new store openings should have a further downward impact on vacancy.

**Figure 17. Retail sales by product, Dec. 2022 vs. 2021 and 2019**

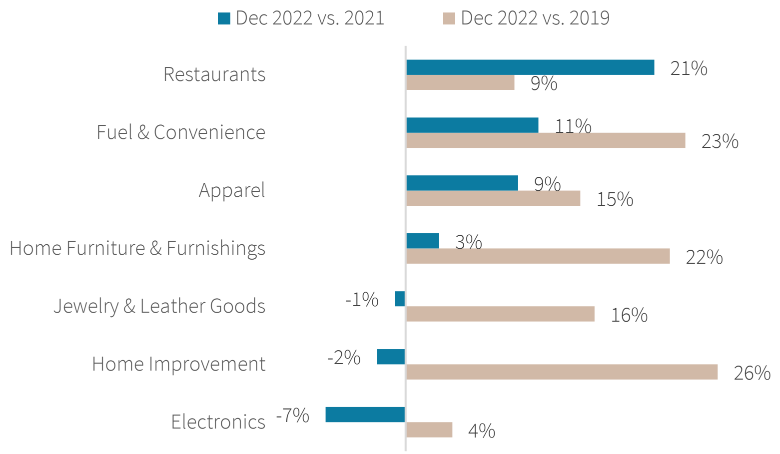
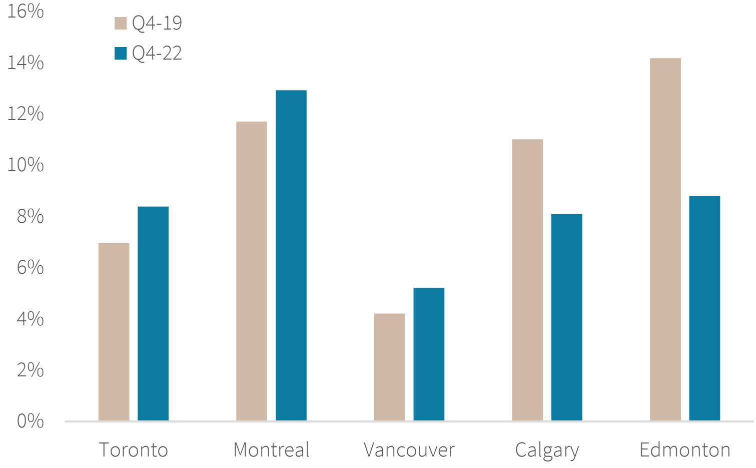



**Figure 18. Enclosed mall vacancy rates**




Sources: JLL Research, StatsCan, Mastercard
All retail sales mentioned above are nominal.
*Shopping centre vacancy rate includes major Canadian malls

# Market Notes

03

# Calgary

### Economy and Residential

After several years of flat economic growth, Calgary is gaining momentum thanks to high energy prices, increased economic diversification, and a relatively low cost of living. The city saw stronger economic growth from 2021 to 2022 than any other major Canadian metro with a 6.1% y-o-y growth rate. These conditions are attracting domestic and international immigrants; only Toronto and Vancouver welcomed more new residents between 2020-2022.

Developers and owners of multifamily rental apartments are growing increasingly bullish on Calgary, thanks to these fundamentals and relatively less regulation than other provinces. Calgary delivered a record number of residential units in 2022, though it remains a small rental market because of its high homeownership rate.

### Industrial

Calgary has seen its industrial vacancy rate fall from 6.2% in 2020 to 1.5% by the end of 2022, a sharper fall than any other market in Canada.

Rents are up 16% from a year ago, yet they remain very affordable compared to other major markets like Vancouver, Toronto, Waterloo, and Montréal.

2022 was a record year for industrial property sales in Calgary, reaching $782m. However, this was front-loaded as the market slowed down by the end of year.

## Economy

| | 2020 | 2021 | 2022 |
|---|---|---|---|
| Population (CMA, millions) | 1.54m | 1.56m | 1.59m |
| Annual Population growth | 1.88% | 1.01% | 3.19% |
| Unemployment rate | 11.9% | 9.1% | 6.2% |
| GDP (billions of CAD) | $103.7b | $110.0b | $116.6b |
| GDP, annual growth | -7.0% | 6.0% | 6.1% |

Source: Statistics Canada

## Residential

| | 2020 | 2021 | 2022 |
|---|---|---|---|
| Multifamily Units | | | |
| Purpose Built Rental | 41,995 | 44,723 | 48,285 |
| Condominium | 71,280 | 73,179 | 75,076 |
| New Rental Units | 2,517 | 2,996 | 4,760 |
| Rental Vacancy Rate | 6.3% | 4.9% | 2.6% |
| Avg. Rent, 2-bdrm | $1,323 | $1,355 | $1,466 |
| Avg. Apartment Sale Price, per unit | $230,912 | $223,438 | $251,958 |
| Avg. Housing Price | $456,227 | $498,754 | $522,401 |
| Housing starts | 9,320 | 15,010 | 16,560 |
| Multifamily Sales Volume (CAD) | $202m | $136m | $306m |

Source: JLL Research, CMHC, Statistics Canada, Canadian Real Estate Association, Altus

## Industrial

| | 2020 | 2021 | 2022 |
|---|---|---|---|
| Inventory (million s.f.) | 153.9m | 157.4m | 165.0m |
| YTD Net Absorption (million s.f.) | 3.1m | 7.8m | 7.8m |
| Completions (million s.f.) | 2.1m | 2.2m | 6.6m |
| Under Construction (million s.f.) | 1.9m | 6.3m | 5.7m |
| Total Vacancy Rate (%) | 6.2% | 2.5% | 1.5% |
| Avg. Net Rent ($ p.s.f.) | $9.03 | $9.10 | $10.52 |
| Avg. Sale Price ($ p.s.f.) | $144 | $164 | $179 |
| Industrial Sales Volume (CAD) | $381m | $393m | $782m |

Source: JLL Research, Altus

# Calgary

## Office

After losing 68% of their collective value since 2015, Calgary's downtown office buildings saw an uptick in assessed value in 2022 thanks to the first year of positive net absorption since 2019. Overall vacancy fell 120 bps to 26.1% and downtown vacancy fell 200 bps to 28.4%.

There have now been more than 770,000 s.f. of office space converted to over 700 residential units in Calgary, as developers look to take advantage of the city’s Development Incentive Program that partially subsidizes the cost of office building conversions.

Oxford Properties sold the trophy asset Millennium Tower to Alberta landlord Aspen Properties for approximately $120 million, underscoring the trend of institutional dispositions to private owners.

## Retail

With less pandemic-era restrictions than other cities, Calgary’s retail sector has bounced back faster than others. Suburban retail continue to outperform downtown, which has struggled with lagging office occupancy.

Several notable retail developments have been completed in 2022: ONE Properties opened the 158,000-s.f. Bow River Shopping Centre, Canderel launched the 400,000-s.f. Taza (The Shops at Buffalo Run), and Triovest submitted a development proposal for a large mixed-use development along Stephen Avenue in downtown.

## Office

| | 2020 | 2021 | 2022 |
|---|---|---|---|
| Inventory (million s.f.) | 75.6m | 75.4m | 75.6m |
| Downtown | 44.2m | 43.8m | 43.7m |
| Beltline | 7.7m | 7.7m | 7.9m |
| Suburbs | 31.4m | 31.6m | 32.0m |
| YTD Net Absorption (s.f.) | -1,258,326 | -3,618,535 | 436,744 |
| Downtown | -692,204 | -1,934,737 | 358,252 |
| Beltline | -25,427 | -331,856 | -412,712 |
| Suburbs | -566,122 | -1,683,798 | 78,492 |
| Completions (s.f.) | 507,066 | 160,620 | 93,189 |
| Downtown | 483,164 | 0 | 0 |
| Beltline | 0 | 0 | 0 |
| Suburbs | 23,902 | 160,620 | 93,189 |
| Under Construction (s.f.) | 489,054 | 329,054 | 129,472 |
| Downtown | 0 | 0 | 0 |
| Beltline | 0 | 0 | 0 |
| Suburbs | 489,054 | 329,054 | 129,472 |
| Total Vacancy Rate | 22.8% | 27.3% | 26.1% |
| Downtown | 25.7% | 30.4% | 28.4% |
| Beltline | 19.3% | 23.6% | 28.4% |
| Suburbs | 18.9% | 23.1% | 23.0% |
| Avg. Net Rent ($ p.s.f.) | $13.38 | $13.83 | $14.67 |
| Downtown | $11.27 | $12.54 | $14.12 |
| Beltline | $14.10 | $14.64 | $14.97 |
| Suburbs | $15.49 | $15.12 | $15.23 |
| Office Sales Volume (CAD) | $213m | $1.75b | $222m |

Source: JLL Research

## Retail

| | 2020 | 2021 | 2022 |
|---|---|---|---|
| Retail sales (billions) | $25.7b | $27.8b | $28.3b* |
| Sales of retail properties (CAD) | $52m | $209m | $312m |
| Total market inventory (million s.f.) | 73.8m | 74.8m | 77.2m |
| Availability, overall (%) | 4.5% | 3.9% | 3.9% |
| Vacancy, enclosed malls (%) | - | - | 8.1% |
| Average net rent ($ p.s.f.) | $23.81 | $25.78 | $28.65 |

Source: Statistics Canada, JLL Research
*Q4 2022 Data Estimated

# Edmonton

## Economy

| | 2020 | 2021 | 2022 |
|---|---|---|---|
| Population (CMA, millions) | 1.46m | 1.48m | 1.51m |
| Annual Population growth | 1.69% | 0.88% | 2.47% |
| Unemployment rate | 12.2% | 8.9% | 6.0% |
| GDP (billions of CAD) | $82.6b | $87.0b | $91.8b |
| GDP, annual growth | -7.4% | 5.3% | 5.5% |

Source: Statistics Canada

## Residential

| | 2020 | 2021 | 2022 |
|---|---|---|---|
| Multifamily Units | | | |
| Purpose Built Rental | 80,933 | 84,621 | 87,827 |
| Condominium | 55,801 | 56,657 | 57,621 |
| New Rental Units | 3,090 | 3,859 | 3,877 |
| Rental Vacancy Rate | 6.8% | 7.3% | 4.3% |
| Avg. Rent, 2-bdrm | $1,270 | $1,271 | $1,303 |
| Avg. Apartment Sale Price, per unit | $227,565 | $208,175 | $228,429 |
| Avg. Housing Price | $386,615 | $387,824 | $395,618 |
| Housing Starts | 11,550 | 12,550 | 14,160 |
| Multifamily Sales Volume (CAD) | $531m | $533m | $494m |

Source: JLL Research, CMHC, Statistics Canada, Canadian Real Estate Association, Altus, Gettel Network

## Industrial

| | 2020 | 2021 | 2022 |
|---|---|---|---|
| Inventory (million s.f.) | 184.9m | 187.0m | 191.7m |
| YTD Net Absorption (million s.f.) | 1.4m | 3.8m | 5.9m |
| Completions (million s.f.) | 2.7m | 1.7m | 4.3m |
| Under Construction (million s.f.) | 2.2m | 4.1m | 3.5m |
| Total Vacancy Rate (%) | 6.3% | 4.6% | 3.6% |
| Avg. Net Rent ($ p.s.f.) | $9.24 | $9.57 | $9.73 |
| Avg. Sale Price ($ p.s.f.) | $144 | $161 | $180 |
| Industrial Sales Volume (CAD) | $240m | $553m | $459m |

Source: JLL Research, Altus, Gettel Network

### Economy and Residential

A new zoning plan from city council would allow row houses and small apartments to be constructed in most residential areas without the need for special approval. This comes a year after city council dropped parking requirements on new developments, as Edmonton moves increasingly toward pro-densification policies.

Edmonton has seen positive population growth of over 55,000 since 2020, fourth highest in Canada after Toronto, Vancouver, and Calgary. Whereas Calgary has seen a lot of immigration from outside of Alberta, Edmonton has benefitted more from same-province immigration.

Demographic growth is driving a record-setting housing boom. The multifamily rental sector has seen a sharp drop in vacancy, from 6.9% to 4.1% while new deliveries are at all-time highs.

### Industrial

Edmonton saw a spike in completions and net absorption in 2022, largely due to the delivery of a large fulfillment centre in Acheson. Rental growth was positive but subdued at 1.7% y-o-y, trailing the rest of Canada.

Industrial sales reached $459m in 2022, down from 2021 totals as uncertainty on financing and user demand weighs on investors. Vacancy is expected to trend upward in the near-term due to the robust development pipeline.

# Edmonton

## Office

Suburban submarkets saw strong leasing momentum with 205,835 s.f. in net absorption for the year. The most active nodes were West End (+99,784 s.f.), Eastgate (+79,153 s.f.), and Southside (+58,399 s.f.). Downtown Edmonton saw negative absorption of -331,636 s.f. As a result, suburban vacancy fell from 19% to 17.2% while downtown vacancy rose from 20.5% to 22.6%.

A handful of office-to-residential conversion projects are in the pipeline that will collectively remove close to 600,000 s.f. of low-grade office space from the market inventory.

## Retail

Retail rents have been on the rise due to higher construction and labour costs passed through from landlords. This is also a consequence of falling supply of new retail space.

Suburban retail has performed much better than the urban core, as downtown Edmonton continues to struggle with lagging office utilization.

Retail investment sales reached $213m for the year, a significant improvement from 2021. Investor appetite for well-located essential retail is strong in Edmonton, particularly owing to the risk-adjusted return compared to industrial and multifamily assets.

## Office

| | 2020 | 2021 | 2022 |
|---|---|---|---|
| **Inventory (million s.f.)** | **27.6m** | **27.6m** | **27.7m** |
| Downtown | 16.0m | 16.0m | 16.0m |
| Suburbs | 11.7m | 11.7m | 11.7m |
| **YTD Net Absorption (s.f.)** | **-169,335** | **-220,587** | **-125,801** |
| Downtown | -146,125 | -217,065 | -331,636 |
| Suburbs | -23,210 | -3,522 | 205,835 |
| **Completions (s.f.)** | **27,995** | **0** | **0** |
| Downtown | 0 | 0 | 0 |
| Suburbs | 27,995 | 0 | 0 |
| **Under Construction (s.f.)** | **0** | **0** | **0** |
| Downtown | 0 | 0 | 0 |
| Suburbs | 0 | 0 | 0 |
| **Total Vacancy Rate** | **19.1%** | **19.9%** | **20.3%** |
| Downtown | 19.2% | 20.5% | 22.6% |
| Suburbs | 19.0% | 19.0% | 17.2% |
| **Avg. Net Rent ($ p.s.f.)** | **$17.13** | **$16.81** | **$17.49** |
| Downtown | $17.85 | $17.67 | $18.53 |
| Suburbs | $12.90 | $15.43 | $15.69 |
| **Office Sales Volume (CAD)** | **$216m** | **$29m** | **$24m** |

Source: JLL Research, Gettel Network

## Retail

| | 2020 | 2021 | 2022 |
|---|---|---|---|
| Retail sales (billions) | $27.1b | $30.3b | $33.3b* |
| Sales of retail properties (CAD) | $173m | $52m | $213m |
| Total market inventory (million s.f.) | 68.2m | 69.1m | 69.9m |
| Availability, overall (%) | 5.7% | 5.8% | 5.8% |
| Vacancy, enclosed malls (%) | - | - | 8.8% |
| Average net rent ($ p.s.f.) | $22.48 | $22.85 | $23.52 |

Source: Statistics Canada, JLL Research, Gettel Network
*Q4 2022 Data Estimated

# Halifax

## Economy

| | 2020 | 2021 | 2022 |
|---|---|---|---|
| Population (CMA, millions) | 450,910 | 459,869 | 480,582 |
| Annual Population growth | 2.52% | 1.99% | 4.50% |
| Unemployment rate | 8.8% | 7.5% | 4.8% |
| GDP (billions of CAD) | $23.4b | $24.8b | $25.1b |
| GDP, annual growth | -1.6% | 6.4% | 0.9% |
| Retail sales (billions) | $14.8b | $16.0b | $14.5b |

Source: Statistics Canada

## Residential

| | 2020 | 2021 | 2022 |
|---|---|---|---|
| Multifamily Units | | | |
| Purpose Built Rental | 52,913 | 54,054 | 55,451 |
| Condominium | 7,868 | 8,032 | 8,084 |
| New Rental Units | 1,297 | 1,688 | 2,011 |
| Rental Vacancy Rate | 1.9% | 1% | 1% |
| Avg. Rent, 2-bdrm | $1,254 | $1,334 | $1,449 |
| Avg. Apartment Sale Price, per unit | $224,375 | $203,769 | $247,083 |
| Avg. Housing Price | $365,044 | $466,024 | $530,762 |
| Housing Starts | 3,300 | 3,810 | 3,590 |

Source: JLL Research, CMHC, Statistics Canada, Canadian Real Estate Association, Altus

## Industrial

| | 2020 | 2021 | 2022 |
|---|---|---|---|
| Inventory (million s.f.) | 8.1m | 8.1m | 7.9m |
| YTD Net Absorption (s.f.) | 120,130 | 512,474 | 42,449 |
| Total Vacancy Rate (%) | 8.9% | 4.0% | 3.4% |
| Avg. Net Rent ($ p.s.f.) | $8.12 | $8.76 | $9.39 |

Source: JLL Research, Partners Global

### Economy and Residential

Halifax has been the fastest growing Canadian city coming out of the pandemic, with a population growth rate of 6.5% since 2020. This has translated into some of Canada's sharpest increases in home prices (up 45% between 2020-2022) and multifamily rents (two-bedroom rents up 15.6% from 2020-2022).

The city's multifamily vacancy rate stayed at 1%, equaling last year. According to CMHC, apartment turnover has fallen to its lowest point in several years, as tenants are increasingly reluctant to move and pay a higher rent.

The return of in-person learning at the city's universities has helped renew leasing momentum for apartments in and around downtown Halifax after vacancy spiked in 2021.

### Industrial

Halifax has witnessed one of the steepest drops in vacancy across Canada over the past two years, falling from 8.9% in 2020 to just 3.4% in 2022. With a lack of new production in the market, owners are taking advantage as average industrial rents are up by 7% from a year ago.

Crestpoint and PROREIT put together one of the largest industrial transactions of 2022, forming a joint venture to acquire a portfolio of over 3m s.f. of mostly industrial space at a valuation of $455m. This includes 21 industrial assets at Burnside Industrial Park, valued at $228m.

# Halifax

## Office

The Halifax office market saw another year of positive absorption and falling vacancy. Strong demographic growth has translated into steady demand for office space as more companies are maintaining or growing their footprint.

Downtown Halifax has recovered quicker than most other downtowns across Canada, with office vacancy falling from a year ago to 18.4%. However net absorption was stronger in the suburbs, which claimed around two-thirds of demand.  Rents continued to rise steadily.

In late December, Groupe Mach acquired 1801 Hollis Street and Metropolitan Place in Dartmouth from Choice Properties. 1801 Hollis is a 22-storey, 223,000-s.f. office building that overlooks the harbour and Metropolitan Place is a Suburban office building adjacent to MacDonald Bridge. Groupe Mach has established their first regional office to support their Atlantic Canada portfolio.

## Retail

Overall, the cities retail market remains stable and continues to see little change year over year.

The city passed a new zone-based tax system that will shift more of the property tax burden to suburban business parks like Dartmouth Crossing, Bayers Lake, and Bedford Commons. The move is meant to help stimulate downtown businesses, which will see decreasing property tax rates.

## Office

| | 2020 | 2021 | 2022 |
|---|---|---|---|
| Inventory (million s.f.) | 12.2m | 12.2m | 12.3m |
| Downtown | 5.1m | 5.2m | 5.1m |
| Suburbs | 7.1m | 7.0m | 7.2m |
| YTD Net Absorption (s.f.) | 324,052 | 1,011,147 | 184,753 |
| Downtown | 242,818 | 769,374 | 66,359 |
| Suburbs | 81,234 | 241,773 | 118,394 |
| Total Vacancy Rate | 14.0% | 14.86% | 13.76% |
| Downtown | 18.59% | 20.62% | 18.37% |
| Suburbs | 11.98% | 11.62% | 10.61% |
| Avg. Net Rent ($ p.s.f.) | $14.32 | $14.66 | $15.31 |
| Downtown | $15.13 | $15.69 | $16.49 |
| Suburbs | $12.81 | $13.03 | $13.58 |

Source: JLL Research, Partners Global

# Montréal

## Economy

| | 2020 | 2021 | 2022 |
|---|---|---|---|
| Population (CMA, millions) | 4.37m | 4.34m | 4.38m |
| Annual Population growth | 0.7% | -0.6% | 0.9% |
| Unemployment rate | 10.1% | 7.0% | 4.7% |
| GDP (billions of CAD) | $214.9b | $229.0b | $232.2b |
| GDP, annual growth | -4.1% | 6.6% | 1.4% |

Source: Statistics Canada

## Residential

| | 2020 | 2021 | 2022 |
|---|---|---|---|
| Multifamily Units | | | |
| Purpose Built Rental | 604,174 | 614,097 | 622,612 |
| Condominium | 206,710 | 212,002 | 218,968 |
| New Rental Units | 12,921 | 13,102 | 16,469 |
| Rental Vacancy Rate | 2.7% | 3.0% | 2.0% |
| Avg. Rent, 2-bdrm | $892 | $913 | $1,022 |
| Avg. Apartment Sale Price, per unit | $273,817 | $302,566 | $297,421 |
| Avg. Housing Price | $390,216 | $469,576 | $515,290 |
| Housing Starts | 27,390 | 32,710 | 26,140 |
| Multifamily Sales Volume (CAD) | $1.71b | $1.57b | $3.37b |

Source: JLL Research, CMHC, Statistics Canada, Canadian Real Estate Association, Altus

## Industrial

| | 2020 | 2021 | 2022 |
|---|---|---|---|
| Inventory (million s.f.) | 317.2m | 323.1m | 330.1m |
| YTD Net Absorption (million s.f.) | 2.5m | 5.9m | 0.7m |
| Completions (million s.f.) | 1.1m | 3.6m | 2.8m |
| Under Construction (million s.f.) | 3.6m | 4.3m | 6.8m |
| Total Vacancy Rate (%) | 1.9% | 1.4% | 2.0% |
| Avg. Net Rent ($ p.s.f.) | $7.58 | $9.98 | $16.04 |
| Avg. Sale Price ($ p.s.f.) | $158.1 | $199.7 | $246.9 |
| Industrial Sales Volume (CAD) | $1.22b | $2.13b | $3.26b |

Source: JLL Research, Altus

### Economy and Residential

Montréal had some of the strictest COVID lockdown measures of any city in North America, and consequently its downtown has been slower than most to recover. Downtown rental vacancy spiked at over 10% in 2020 though it has since come back down to 4.3%. For the Greater Montréal Area, rental vacancy fell from 3% in 2021 to 2%.

Montréal ranks last among Canadian metro areas in population growth since 2020, but with international borders re-opened for immigration and tourism, and universities fully back, we expect a pickup in rental demand in 2023.

2022 was a banner year for multifamily sales in Montréal at $3.4b, doubling the previous market record in 2020. This was propelled by major acquisitions by Centurion Apartment REIT, CAPREIT, and InterRent among others.

### Industrial

Industrial investment sales reached $3.3b for the year, a 53% increase over 2021 volumes, which were also a record. However, sale volumes have slowed sharply in the second half of the year as interest rates have climbed.

Rising construction costs and supply chain hiccups are pushing the construction pipeline out, putting further pressure on rents and availability in the near-term.

Rents rose an astonishing 112% from 2020 to 2022. This is the highest two-year increase in Canada and the second highest in North America. Given supply-side pressures, we expect net rents to top $18 p.s.f. in 2023.

# Montréal

## Office

| | 2020 | 2021 | 2022 |
|---|---|---|---|
| Inventory (million s.f.) | 106.8m | 106.9m | 108.8 |
| Downtown | 54.2m | 53.6m | 53.6m |
| Midtown | 28.7m | 29.5m | 30.1m |
| Suburbs | 23.8m | 23.8m | 25.0m |
| YTD Net Absorption (s.f.) | 66,898 | -1,888,052 | -854,812 |
| Downtown | -776,060 | -1,748,103 | -844,899 |
| Midtown | 427,476 | -258,795 | -347,412 |
| Suburbs | 415,482 | 118,846 | 337,499 |
| Completions (s.f.) | 692,179 | 760,487 | 801,564 |
| Downtown | 64,500 | 0 | 0 |
| Midtown | 490,683 | 397,606 | 0 |
| Suburbs | 136,996 | 362,881 | 801,564 |
| Under Construction (million s.f.) | 3.8m | 3.2m | 2.3m |
| Downtown | 1.5m | 1.5m | 1.6m |
| Midtown | 1.0m | 0.8m | 0.7m |
| Suburbs | 1.4m | 0.9m | 0 |
| Total Vacancy Rate | 10.0% | 12.6% | 13.3% |
| Downtown | 8.2% | 11.8% | 12.8% |
| Midtown | 10.4% | 12.5% | 12.1% |
| Suburbs | 13.6% | 14.6% | 15.7% |
| Avg. Net Rent ($ p.s.f.) | $18.33 | $18.17 | $18.10 |
| Downtown | $20.44 | $21.19 | $21.29 |
| Midtown | $16.84 | $15.81 | $12.94 |
| Suburbs | $16.69 | $15.10 | $17.10 |
| Office Sales Volume (CAD) | $1.22b | $1.57b | $1.26b |

Source: JLL Research

## Retail

| | 2020 | 2021 | 2022 |
|---|---|---|---|
| Retail sales (billions) | $63.4b | $72.9b | $79.7b* |
| Sales of retail properties (CAD) | $1.03b | $1.04b | $1.71b |
| Availability, enclosed malls (%) | - | - | 12.9% |

Source: Statistics Canada, JLL Research
Q4 2022 Retail Sales Data Estimated

### Office

The office market has seen momentum shifting to the suburbs over the past few years, with nearly 1 million s.f. of total net absorption since 2020, compared to -3.5 million s.f. of negative net absorption downtown.

Vacancy rates have risen across the GMA, up 70 bps from one year ago. Downtown vacancy has crept up to 12.8% while suburban vacancy is up to 15.7% after the addition of a several large developments this year. Rents have been largely flat, with landlords investing more in inducement packages to lure tenants.

Office liquidity reached $1.3b across Montréal, down slightly from a year ago. The largest office transaction of 2022 was Blackstone's share purchase from Kevric at 1100 Atwater and Air Canada Tower. Groupe Mach acquired Cominar REIT's office portfolio as part of a take-private deal that included a consortium of investors.

### Retail

Retail had its strongest year since 2014 with over $1.7b in investment sales. This was fueled by Groupe Mach's acquisition of the Cominar REIT retail portfolio, as well as the closing of the final tranche of TD Asset Management's 50% share purchase of CF Carrefour Laval from Cadillac Fairview.

Asking rates and foot traffic have increased throughout 2022, and vacancy rates have decreased with each passing quarter. While there is room for improvement, momentum has been returning with each passing quarter.

# Ottawa

## Economy

| | 2020 | 2021 | 2022 |
|---|---|---|---|
| Population (CMA, millions) | 1.46m | 1.47m | 1.50m |
| Annual Population growth | 1.71% | 0.79% | 1.66% |
| Unemployment rate | 7.4% | 5.9% | 4.5% |
| GDP (billions of CAD) | $81.1b | $85.1b | $86.4b |
| GDP, annual growth | -3.9% | 4.9% | 1.6% |

Source: Statistics Canada

## Residential

| | 2020 | 2021 | 2022 |
|---|---|---|---|
| Multifamily Units | | | |
| Purpose Built Rental | 98,974 | 100,875 | 106,407 |
| Condominium | 46,175 | 46,647 | 47,330 |
| New Rental Units | 3,667 | 4,054 | 4,664 |
| Rental Vacancy Rate | 3.2% | 2.8% | 2.2% |
| Avg. Rent, 2-bdrm | $1,379 | $1,428 | $1,627 |
| Avg. Apartment Sale Price, per unit | $297,593 | $276,965 | $304,097 |
| Avg. Housing Price | $524,100 | $641,800 | $670,689 |
| Housing Starts | 13,070 | 13,540 | 14,530 |
| Multifamily Sales Volume (CAD) | $562m | $682m | $983m |

Source: JLL Research, CMHC, Statistics Canada, Canadian Real Estate Association, Altus

## Industrial

| | 2020 | 2021 | 2022 |
|---|---|---|---|
| Inventory (million s.f.) | 37.6m | 40.8m | 41.8m |
| YTD Net Absorption (s.f.) | 99,194 | 3,072,966 | 253,625 |
| Completions (s.f.) | 197,680 | 2,902,473 | 644,901 |
| Under Construction (s.f.) | 2,753,130 | 441,733 | 678,355 |
| Total Vacancy Rate (%) | 2.4% | 1.6% | 2.5% |
| Avg. Net Rent ($ p.s.f.) | $11.59 | $13.64 | $15.46 |
| Avg. Sale Price ($ p.s.f.) | $186.1 | $207.5 | $241.3 |
| Industrial Sales Volume (CAD) | $208m | $263m | $735m |

Source: JLL Research, Altus

### Economy and Residential

Ottawa city council is weighing an inclusionary zoning proposal that would require all new condos to dedicate 10% of GLA to affordably priced units. Currently, the legislation is limited to all condo buildings above 50 units and located near near major transit nodes. Purpose-built rental buildings would be initially exempt from the law.

The LRT build out has experienced delays due to lack of construction materials and labour. The south line to the airport will be completed by late 2023, and the West Line to Kanata has been pushed 17 months with a target date of 2026.

Dream Asset Management, Dream Impact Trust, and MultiFaith Housing Initiative, a local non-profit, are partnering to build 601 rental apartments on the Library Parcel at LeBreton Flats. Construction is expected to begin in 2023.

### Industrial

Ottawa industrial sales jumped to $735m for the year, with most of this coming in Crestpoint's acquisition of a 2.8m-s.f. Barrhaven fulfillment centre for $494m. Broccolini developed the project at a cost of $200m before it was launched in 2020.

Epic Investments and Woodbourne Capital Management acquired a 20-property industrial portfolio from Skyline Commercial REIT for $154m, or $223 p.s.f.

# Ottawa

## Office

After mounting pressure from independent business groups, the federal government announced in late 2022 that it would mandate its workforce to come in at least 2-3 days per week. According to Statistics Canada, Ottawa has Canada's highest work-from-home rate.

The feds also plan to shed up to 15-20% of their office portfolio over the next decade, translating into about 6-8m s.f. in Ottawa-Gatineau. As part of their workforce strategy, they are launching the GCcoworking program to provide coworking spaces to a dispersed workforce around the Ottawa area and save on operational expenses.

Ottawa now boasts the second-lowest vacancy rate in major North American markets behind only Vancouver, though vacancy has crept up marginally. Ottawa landlords have been more aggressive in offering competitive conditions to tenants, resulting in face rents that have fallen sharply from a year ago.

## Retail

Retail investment sales surpassed $300m for the year. Private buyers have been the most active cohort, though Costco notably purchased their facility at 1900 Cyrville Road from LaSalle Investment Management for $42.5m.

Canadian Tire relocated to Carlingwood Mall from a prominent site at 1660 Carling Avenue. Cadillac Fairview recently announced the addition of a 288-unit tower to the city's largest mall at CF Rideau Centre.

## Office

| | 2020 | 2021 | 2022 |
|---|---|---|---|
| Inventory (million s.f.) | 40.2m | 42.1m | 32.3m |
| Downtown | 18.7m | 19.1m | 18.4m |
| Suburbs | 21.5m | 23.0m | 24.0m |
| YTD Net Absorption (s.f.) | -555,799 | -22,304 | -77,617 |
| Downtown | -439,821 | -182,399 | 141,167 |
| Suburbs | -115,978 | 160,095 | -218,784 |
| Completions (s.f.) | 0 | 134,425 | 471,921 |
| Downtown | 0 | 34,425 | 321,921 |
| Suburbs | 0 | 100,000 | 150,000 |
| Under Construction (s.f.) | 459,845 | 471,921 | 67,607 |
| Downtown | 0 | 321,921 | 0 |
| Suburbs | 459,845 | 150,000 | 67,607 |
| Total Vacancy Rate | 8.7% | 8.6% | 9.4% |
| Downtown | 9.0% | 9.9% | 10.0% |
| Suburbs | 8.4% | 7.5% | 8.9% |
| Avg. Net Rent ($ p.s.f.) | $17.17 | $17.84 | $16.22 |
| Downtown | $19.37 | $20.54 | $18.52 |
| Suburbs | $14.84 | $15.17 | $14.30 |
| Office Sales Volume (CAD) | $372m | $666m | $740m |

Source: JLL Research, Altus

## Retail

| | 2020 | 2021 | 2022 |
|---|---|---|---|
| Retail sales (billions) | $17.8b | $20.8b | $21.3b* |
| Sales of retail properties (CAD) | $47m | $441m | $303m |
| Total market inventory (million s.f.) | 62.5m | 62.6m | 62.8m |
| Availability, overall (%) | 3.6% | 2.8% | 2.4% |
| Average net rent ($ p.s.f.) | $20.80 | $22.22 | $22.48 |

Source: Statistics Canada, JLL Research
*Q4 2022 Data Estimated

# Regina & Saskatoon


## Economy

| | 2020 | 2021 | 2022 |
|---|---|---|---|
| Population (CMA, millions) | 600,086 | 604,245 | 616,340 |
| Annual Population growth | 1.48% | 0.69% | 2.00% |
| Unemployment rate | 9.0% | 7.0% | 4.6% |
| GDP (billions of CAD) | $37.8b | $38.8b | $40.2b |
| GDP, annual growth | -4.8% | 2.5% | 3.8% |

Source: Statistics Canada

### Economy and Residential

Saskatchewan's economy benefitted from global food and commodity volatility in 2022, as prices for both soared. The price of potash – of which Saskatchewan supplies one-third of global demand - tripled between January 2021 and June 2022 as a result of sanctions against Russia and Belarus, two other major producers. International immigration drove population growth, with many Ukrainian families resettling in Saskatchewan.

Regina and Saskatoon are both seeing a cyclical peak in housing starts in 2022, and multifamily vacancy is at its lowest point since 2014. This has put mild upward pressure on average rents, though they remain extremely affordable compared to other markets. New supply is at its highest point in three decades.

### Industrial

Saskatoon saw industrial vacancy fall for the 6th consecutive year, landing at 2.7% for 2022. Vacancy is highest in the Kelsey submarket at just over 7% and lowest in the Marquis and Agriplace submarkets at just over 1%. Net rents are up to $12.34 p.s.f., with the Marquis submarket approaching $14 p.s.f.

Regina has seen a similar dynamic. Vacancy is down from 3.7% a year ago to 2.3% with net rents now up to $12.25 p.s.f. The most active submarkets from a demand perspective have generally been Tuxedo Park and Ross on the northeast edge of the city.

## Industrial

| | 2020 | 2021 | 2022 |
|---|---|---|---|
| **Inventory (million s.f.)** | **42.5m** | **42.8m** | **42.9m** |
| Regina | 17.9m | 18.0m | 18.0m |
| Saskatoon | 24.6m | 24.8m | 24.9m |
| **YTD Net Absorption (s.f.)** | **244,169** | **439,402** | **299,614** |
| Regina | 157,632 | 111,767 | 222,100 |
| Saskatoon | 86,537 | 327,635 | 77,514 |
| **Completions (s.f.)** | **264,000** | **121,308** | **144,308** |
| Regina | 100,000 | 66,000 | 60,000 |
| Saskatoon | 164,000 | 55,308 | 84,308 |
| **Under Construction (s.f.)** | **402,000** | **155,000** | **214,917** |
| Regina | 166,000 | 60,000 | 80,000 |
| Saskatoon | 236,000 | 95,000 | 134,917 |
| **Total Vacancy Rate (%)** | **5.1%** | **3.9%** | **2.6%** |
| Regina | 4.6% | 3.7% | 2.3% |
| Saskatoon | 5.3% | 4.0% | 2.7% |
| **Avg. Net Rent ($ p.s.f.)** | **$10.26** | **$11.40** | **$12.30** |
| Regina | $9.84 | $11.38 | $12.25 |
| Saskatoon | $10.67 | $11.41 | $12.34 |

Source: ICR Commercial

# Regina & Saskatoon

### Office

In Regina, office leasing has been stable but momentum has skewed toward the suburbs, with positive absorption and a lower vacancy rate (14.6% compared to 15.8% downtown). Many lease transactions occurred in downtown-adjacent submarkets like Transitional and Warehouse District. Landlords in general are offering more inducements and, in some rarer cases, are looking into converting properties into multifamily rental housing.

Saskatoon saw strong positive absorption for the year. In downtown, the expansion of BHP to three floors in the River Quarry building added over 55k s.f. of net absorption. However, the suburbs drove most demand, with Stonebridge being the most active. Overall vacancy in Saskatoon fell from 14.5% to 14.0% year-over-year.

In terms of new construction, the two River Landing towers in Saskatoon are 90% pre-leased, with only 38,419 s.f. available. In Regina, a new building in Harbour Landing is in the planning stages, but with high construction costs and expensive debt financing, construction could be postponed.

### Retail

Meadows Market, a Costco-anchored power centre on the southeast periphery of Saskatoon, sold for $47m in one of Saskatchewan's largest retail investment sale transactions in several years.

## Residential

| | 2020 | 2021 | 2022 |
|---|---|---|---|
| Multifamily Units | | | |
| Purpose Built Rental | 30,218 | 30,888 | 31,770 |
| Condominium | 19,780 | 20,221 | 20,348 |
| New Rental Units | 805 | 1,292 | 1,225 |
| Rental Vacancy Rate | 6.5% | 5.7% | 3.1% |
| Avg. Rent, 2-bdrm | $1,162 | $1,174 | $1,219 |
| Avg. Housing Price | $314,614 | $336,072 | $336,307 |
| Housing Starts | 1,330 | 3,680 | 4,170 |

Source: JLL Research, CMHC, Statistics Canada, Canadian Real Estate Association

## Office

| | 2020 | 2021 | 2022 |
|---|---|---|---|
| Inventory (million s.f.) | 14.6m | 14.7m | 14.9m |
| Regina | 7.4m | 7.4m | 7.4m |
| Saskatoon | 7.2m | 7.3m | 7.4m |
| YTD Net Absorption (s.f.) | -465,186 | -10,762 | 82,993 |
| Regina | -265,132 | -70,570 | -36,556 |
| Saskatoon | -200,054 | 59,808 | 119,549 |
| Completions (s.f.) | 90,000 | 148,000 | 135,000 |
| Regina | 30,000 | 20,000 | - |
| Saskatoon | 60,000 | 128,000 | 135,000 |
| Under Construction (s.f.) | 348,000 | 185,500 | 62,000 |
| Regina | 62,000 | 27,500 | 35,000 |
| Saskatoon | 286,000 | 158,000 | 27,000 |
| Total Vacancy Rate | 14.2% | 14.5% | 14.0% |
| Regina | 13.0% | 14.6% | 13.7% |
| Saskatoon | 15.1% | 14.4% | 14.3% |
| Avg. Net Rent ($ p.s.f.) | $18.84 | $18.59 | $18.23 |
| Regina | $18.28 | $18.26 | $17.67 |
| Saskatoon | $19.46 | $19.03 | $18.82 |

Source: ICR Commercial

# Southwestern Ontario

## Economy and Residential

Waterloo Region has been one of Canada's fastest growing CMAs over the past few years, benefitting heavily from population spillover out of Toronto during the pandemic. However, home prices have risen by 36% over the past two years, raising questions about new housing supply and the rising cost of living.

The market has seen a significant influx of institutional investors pursuing multifamily rental opportunities. Groups such as Starlight, Killam Apartment REIT, Quadreal, Equiton Partners, and Skyline have invested over $1b collectively over the past few years, and this investor demand has driven valuations up across the tri-city region.

According to CMHC, rental vacancy is down to 1.2% for 2022, second lowest in Canada only to Vancouver.

## Industrial

Southwest Ontario witnessed a 20-basis point decline in vacancy to just 0.5% in Q4. This gives the region the lowest vacancy in the country and makes it the only market that saw a decline in vacancy in Q4.

Space under construction spiked in Q4, reaching 4.5m s.f. or 4.2% of the region's total inventory. The bulk of this development is speculative with 2.9 s.f. of space still available. The influx of warehousing space should translate into slightly higher vacancy rates by the end of 2023.

As user and investor demand have exploded over the past two years, rents have increased by 20% y-o-y.

## Economy

| | 2020 | 2021 | 2022 |
|---|---|---|---|
| Population (CMA, millions) | 593,397 | 599,816 | 622,497 |
| Annual Population growth | 2.03% | 1.08% | 3.78% |
| Unemployment rate | 9.5% | 6.4% | 5.2% |
| GDP (billions of CAD) | $31.7b | $33.5b | $35.0b |
| GDP, annual growth | -2.5% | 5.7% | 4.3% |

Source: Statistics Canada

## Residential

| | 2020 | 2021 | 2022 |
|---|---|---|---|
| Multifamily Units | | | |
| Purpose Built Rental | 39,349 | 39,539 | 40,038 |
| Condominium | 12.358 | 13,319 | 15,316 |
| New Rental Units | 1,184 | 1,232 | 948 |
| Rental Vacancy Rate | 2.0% | 2.0% | 1.2% |
| Avg. Rent, 2-bdrm | $1,287 | $1,349 | $1,454 |
| Avg. Apartment Sale Price, per unit | $198,046 | $200,318 | $263,000 |
| Housing Starts | 3,750 | 5,610 | 3,960 |
| Avg. Housing Price | $608,579 | $776,975 | $828,646 |
| Multifamily Sales Volume (CAD) | $1.27b | $1.25b | $420m |

Source: JLL Research, CMHC, Statistics Canada, Canadian Real Estate Association

## Industrial

| | 2020 | 2021 | 2022 |
|---|---|---|---|
| Inventory (million s.f.) | - | 108.3m | 108.5m |
| YTD Net Absorption (million s.f.) | - | 0.9m | 1.3m |
| Completions (million s.f.) | - | 0.6m | 0.9m |
| Under Construction (million s.f.) | - | 1.5m | 4.5m |
| Total Vacancy Rate (%) | - | 0.9% | 0.5% |
| Avg. Net Rent ($ p.s.f.) | - | $9.84 | $11.80 |
| Industrial Sales Volume (CAD) | $335m | $1.1b | $923m |

Source: JLL Research, Altus

# Southwestern Ontario

## Office

The Waterloo market has seen an uptick in subleasing over the past six months as many tech tenants who expanded aggressively during COVID are being forced to scale back. Fully furnished sublease offerings are competing with new construction as they can deliver substantial savings to users looking to save on build outs.

Rents are holding stable, though landlords are becoming more aggressive on inducement packages.

Interest in user purchases of office buildings has been on the rise. With building valuations falling over the past year, a company or organization looking for space and wanting to retain ownership of their improvements will find ample opportunities. Many users, such as school boards and religious organizations, are taking advantage of this.

## Retail

Retail investment sales were dominated almost exclusively by private investors (75% of sale volume) and users (21%). The largest sale in the region in 2022 was 970 Upper Wentworth St. in Hamilton, where Everest purchased a 79,000-s.f. retail plaza for $26m ($329 p.s.f.). Across the street at Lime Ridge Mall, Cadillac Fairview has submitted a proposal to raze the former Sears building and construct two 12-storey residential towers.

Retail in downtown Kitchener has struggled with lagging office occupancy; however, the construction of new residential projects is generating more foot traffic.

### Office

| | 2020 | 2021 | 2022 |
|---|---|---|---|
| Inventory (million s.f.) | - | 17.3m | 17.9m |
| Kitchener | - | 6.2m | 6.3m |
| Waterloo | - | 7.4m | 7.4m |
| Other | - | 3.7m | 4.2m |
| YTD Net Absorption (s.f.) | - | 151,821 | 584,284 |
| Kitchener | - | 127,696 | -6,312 |
| Waterloo | - | 29,142 | 2,120,826 |
| Other | - | -5,017 | -1,530,230 |
| Completions (s.f.) | - | 0 | 140,000 |
| Kitchener | - | 0 | 140,000 |
| Waterloo | - | 0 | 0 |
| Other | - | 0 | 0 |
| Under Construction (million s.f.) | - | 140,000 | 737,822 |
| Kitchener | - | 140,000 | 385,000 |
| Waterloo | - | 0 | 0 |
| Other | - | 0 | 352,822 |
| Total Vacancy Rate | - | 14.0% | 13.4% |
| Kitchener | - | 20.1% | 18.5% |
| Waterloo | - | 11.7% | 11.5% |
| Other | - | 9.0% | 9.4% |
| Avg. Net Rent ($ p.s.f.) | - | $15.37 | $16.21 |
| Kitchener | - | $15.28 | $17.30 |
| Waterloo | - | $15.93 | $15.55 |
| Other | - | $14.75 | $14.50 |
| Office Sales Volume (CAD) | $51.9m | $79.0m | $326m |

Source: JLL Research, Altus

### Retail

| | 2020 | 2021 | 2022 |
|---|---|---|---|
| Retail sales (billions) | $15.35b | $16.29b | $17.1b |
| Sales of retail properties (CAD) | $179m | $604m | $378m |

Source: Statistics Canada, JLL Research

# Toronto

## Economy and Residential

Ontario's Ministry of Municipal Affairs and Housing released the More Homes Built Faster Act, which sets out a goal of building 1.5m new housing units over the next 10 years across the province. The bill focuses on supply-side measures such as eliminating administrative delays, lowering development charges, and allowing 3 residential units on any residential lot without the need to apply for a change in zoning from the municipality.

Rental vacancy for downtown Toronto fell from a pandemic high of 7.3% to 2.9% in 2022, while the overall GTA vacancy rate fell from 4.5% to 1.6%. Construction disruptions are hampering new completions as rental deliveries were at their lowest since 2017 and condo completions were at their lowest level since 2019.

## Industrial

Toronto's industrial market saw rents approaching $17 p.s.f. by the end of the year, an increase of over 26% from a year prior. Industrial rents are now higher on average than suburban office rents.

Vacancy was up 30 bps over a year ago after a staggering 10m s.f. of industrial space were completed in 2022. With over 15m s.f. left in the development pipeline, we expect upward pressure on vacancy as the economy slows down.

Industrial sales hit $6.4b for the year, the second highest year on record. Industrial pricing has slipped amidst rising interest rates, but assets with short-term tenant expiries have seen very little devaluation.

## Economy

| | 2020 | 2021 | 2022 |
|---|---|---|---|
| Population (CMA, millions) | 6.54m | 6.55m | 6.69m |
| Annual Population growth | 1.25% | 0.05% | 2.11% |
| Unemployment rate | 10.6% | 8.9% | 6.3% |
| GDP (billions of CAD) | $409.4b | $429.1b | $435.8b |
| GDP, annual growth | -4.1% | 4.8% | 1.6% |

Source: Statistics Canada

## Residential

| | 2020 | 2021 | 2022 |
|---|---|---|---|
| Multifamily Units | | | |
| Purpose Built Rental | 326,290 | 327,970 | 334,883 |
| Condominium | 422,110 | 443,823 | 460,338 |
| New Rental Units | 3,424 | 4,370 | 3,450 |
| Rental Vacancy Rate | 3.4% | 4.5% | 1.6% |
| Avg. Rent, 2-bdrm | $1,637 | $1,680 | $1,779 |
| Avg. Apartment Sale Price, per unit | $390,417 | $392,189 | $403,318 |
| Avg. Housing Price | $915,000 | $1,095,490 | $1,152,248 |
| Housing Starts | 38,630 | 42,070 | 44,680 |
| Multifamily Sales Volume (CAD) | $2.2b | $3.3b | $2.5b |

Source: JLL Research, CMHC, Statistics Canada, Canadian Real Estate Association, Altus

## Industrial

| | 2020 | 2021 | 2022 |
|---|---|---|---|
| Inventory (million s.f.) | 824.3m | 837.4m | 848.8m |
| YTD Net Absorption (million s.f.) | 8.5m | 17.2m | 8.2m |
| Completions (million s.f.) | 11.9m | 10.1m | 10.2m |
| Under Construction (million s.f.) | 10.7m | 11.3m | 15.2m |
| Total Vacancy Rate (%) | 1.6% | 0.8% | 1.1% |
| Avg. Net Rent ($ p.s.f.) | $10.25 | $13.36 | $16.93 |
| Avg. Sale Price ($ p.s.f.) | $226.1 | $299.2 | $356.7 |
| Industrial Sales Volume (CAD, Billions) | $2.1b | $6.6b | $6.4b |

Source: JLL Research, Altus

# Toronto

## Office

With substantial new supply coming to market, Toronto has been characterized by a strong flight to quality trend. While the overall market saw nearly one million s.f. of negative absorption in 2022, the Downtown Class ‘A’ segment saw positive absorption of about 786,851 s.f. - though this turned negative for the last quarter.

Overall market vacancy increased from 12.7% to 14.7% year-over-year. Net asking rents continue to climb on average, though this masks rising inducements that landlords are providing to attract tenants.

Sublease availability now stands at over 7.5 million s.f. across the GTA. As financing conditions tighten across the economy, tenants will increasingly gravitate toward well built-out sublease space to avoid costly fit-outs.

## Retail

High frequency spending data suggests that consumers are returning to physical retail in a decisive way. This is echoed by Statcan data showing that e-commerce penetration has fallen from a pandemic peak of 11% to about 6% now. Once thought to be the downfall of bricks-and-mortar retail, it is becoming clear that e-commerce is a complement to in-person shopping as retailers develop omnichannel solutions like click-and-collect.

Retail investment sales reached $1.3b for the year. Investors are encouraged by rising foot traffic across all retail segments, though most trades that have occurred have been for assets with essential needs or defensive tenancies.

## Office

| | 2020 | 2021 | 2022 |
|---|---|---|---|
| Inventory (million s.f.) | 180.8m | 184.3m | 186.0m |
| Downtown | 76.4m | 79.6m | 81.7m |
| Midtown | 15.8m | 15.8m | 15.4m |
| Suburbs | 88.6m | 89.0m | 88.9m |
| YTD Net Absorption (million s.f.) | -2.0m | -4.2m | -0.9m |
| Downtown | -1.5m | -0.6m | 0.02m |
| Midtown | -0.3m | -0.9m | -0.4m |
| Suburbs | -0.2m | -2.8m | -0.5m |
| Completions (million s.f.) | 1.4m | 3.4m | 2.9m |
| Downtown | 0.9m | 3.2m | 2.6m |
| Midtown | 0 | 0 | 0.05m |
| Suburbs | 0.5m | 0.3m | 0.3m |
| Under Construction (million s.f.) | 10m | 8.4m | 6.2m |
| Downtown | 9.7m | 8.1m | 4.9m |
| Midtown | 0 | 0 | 0.1m |
| Suburbs | 0.3m | 0.3m | 1.2m |
| Total Vacancy Rate | 8.6% | 12.7% | 14.7% |
| Downtown | 5.1% | 9.6% | 12.6% |
| Midtown | 4.2% | 9.6% | 12.3% |
| Suburbs | 12.5% | 16.1% | 17.0% |
| Avg. Net Rent ($ p.s.f.) | $21.81 | $24.67 | $25.27 |
| Downtown | $39.46 | $38.89 | $38.34 |
| Midtown | $24.50 | $29.29 | $28.55 |
| Suburbs | $16.92 | $17.12 | $18.05 |
| Office Sales Volume (CAD) | $1.4b | $2.2b | $3.3b |

Source: JLL Research, Altus

## Retail

| | 2020 | 2021 | 2022 |
|---|---|---|---|
| Retail sales (billions) | $91.5b | $101.1b | $116.7b* |
| Sales of retail properties (CAD) | $893m | $2.1b | $1.3b |
| Total market inventory (million s.f.) | 299.8m | 300.4m | 300.7m |
| Availability, overall (%) | 2.8% | 2.4% | 2.3% |
| Vacancy, enclosed malls (%) | - | - | 8.4% |
| Average net rent ($ p.s.f.) | $26.60 | $27.06 | $27.72 |

Source: Statistics Canada, JLL Research
*Q4 2022 Data Estimated

# Vancouver

## Economy

| | 2020 | 2021 | 2022 |
|---|---|---|---|
| Population (CMA, millions) | 2.74m | 2.76m | 2.84m |
| Annual Population growth | 1.27% | 0.77% | 2.81% |
| Unemployment rate | 9.2% | 7.0% | 4.7% |
| GDP (billions of CAD) | $150.5b | $158.1b | $162.4b |
| GDP, annual growth | -3.8% | 5.1% | 2.8% |

Source: Statistics Canada

## Residential

| | 2020 | 2021 | 2022 |
|---|---|---|---|
| Multifamily Units | | | |
| Purpose Built Rental | 115,949 | 117,168 | 120,472 |
| Condominium | 260,630 | 271,733 | 287,384 |
| New Rental Units | 5,961 | 7,207 | 6,082 |
| Rental Vacancy Rate | 2.6% | 1.2% | 0.9% |
| Avg. Rent, 2-bdrm | $1,799 | $1,830 | $2,009 |
| Avg. Apartment Sale Price, per unit | $455,417 | $455,708 | $452,675 |
| Avg. Housing Price | $1,056,897 | $1,185,799 | $1,245,082 |
| Housing Starts | 22,380 | 26,050 | 24,440 |
| Multifamily Sales Volume (CAD) | $909m | $1.8b | $601m |

Source: JLL Research, CMHC, Statistics Canada, Canadian Real Estate Association, Altus

## Industrial

| | 2020 | 2021 | 2022 |
|---|---|---|---|
| Inventory (million s.f.) | 230.8m | 235.4m | 240.1m |
| YTD Net Absorption (million s.f.) | 2.0m | 5.5m | 5.7m |
| Completions (million s.f.) | 3.5m | 2.1m | 5.7m |
| Under Construction (million s.f.) | 4.0m | 8.0m | 9.2m |
| Total Vacancy Rate (%) | 2.2% | 0.7% | 0.8% |
| Avg. Net Rent ($ p.s.f.) | $13.66 | $17.58 | $21.59 |
| Avg. Sale Price ($ p.s.f.) | $293.0 | $384.0 | $415.0 |
| Industrial Sales Volume (CAD) | $883m | $1.9b | $915m |

Source: JLL Research, Altus

### Economy and Residential

The BC provincial government announced $500m in funding for the Rental Protection Fund, intended to help non-profits acquire older rental buildings instead of for-profit developers who might demo them. The province is also prohibiting some age restrictions in strata condos to better accommodate families with children.

Rental vacancy fell to 0.9%, the lowest among all major cities in Canada. CMHC notes in its *2022 Rental Housing Report* that asking rents on available units are 43% higher than average in-place rents, creating a strong disincentive to moving for many residents.

### Industrial

Canada's first multi-story warehouse was completed at Riverbend Business Park in Q4 2022. The building is fully leased and occupied by a major e-commerce user. Meanwhile Walmart opened a $175m state-of-the-art distribution centre in Surrey, boasting cutting edge automation technologies. It was built vertically so it uses only half the footprint. It's part of Walmart Canada's $3.5b investment into Canada.

Vacancy rates remained sub-one percent as the leasing market continued to outperform. Asking rates in the mid-$20s range are becoming more common as tenants have few options and the for-sale strata market has severely slowed down since its Covid-19 peak. The market's strong development pipeline reached record highs at 3.8% of the total inventory, providing transitory relief to supply constraints.

# Vancouver

## Office

Vacancy jumped from 6.8% to 8.3% year-over-year, with the downtown market being mostly accountable for this increase, as nearly 900,000 s.f. of new supply came to market. Sublease availabilities have also played an important role, hitting an all-time high in Q4 with nearly 1.9 million s.f. being marketed for lease. Subleases offering in-place furnishings continue to be in strong demand, which help tenants save on build-out costs and avoid delays. More sublease availabilities are expected to hit the market in 2023, especially for tenants who committed to pre-leases in new developments, originally anticipating future growth within their companies.

The flight to quality trend continued, with 2022 seeing several sizeable transactions in new developments. In Oxford's The Stack, Fluor committed to 88,000 s.f. at year-end, while Canaccord leased nearly 100,000 s.f. earlier in the year. Another notable deal in 2022 was Microsoft leasing 400,000 s.f. in BentallGreenOak's B6 development.

Vancouver has seen a significant number of life science lab projects being proposed, mostly in Mount Pleasant and False Creek Flats. Over the next few years, we expect this to become an exciting cluster as more spaces get built out and companies take occupancy.

## Retail

The city is engaging in a planning process to remake the Granville Entertainment District. Proposals include new retail offerings, cultural uses, retaining heritage character, improving pedestrian accessibility and limiting traffic.

## Office

| | 2020 | 2021 | 2022 |
|---|---|---|---|
| Inventory (million s.f.) | 63.2m | 65.6m | 66.4m |
| Downtown | 27.3m | 27.4m | 28.2m |
| Vancouver Periphery | 11.5m | 12.1m | 12.3m |
| Suburbs | 24.4m | 26.0m | 26.0m |
| YTD Net Absorption (million s.f.) | -0.4m | 0.8m | 0.4m |
| Downtown | -0.3m | -0.1m | -0.2m |
| Vancouver Periphery | -0.3m | 0.1m | 0.5m |
| Suburbs | 0.2m | 0.9m | 0.1m |
| Completions (million s.f.) | 0.7m | 1.2m | 1.5m |
| Downtown | 0.3m | 0.2m | 0.9m |
| Vancouver Periphery | 0.1m | 0.4m | 0.4m |
| Suburbs | 0.3m | 0.6m | 0.3m |
| Under Construction (million s.f.) | 6.7m | 6.2m | 7.0m |
| Downtown | 3.8m | 3.6m | 3.3m |
| Vancouver Periphery | 1.0m | 1.1m | 1.8m |
| Suburbs | 2.0m | 1.5m | 1.9m |
| Total Vacancy Rate | 6.7% | 6.8% | 8.3% |
| Downtown | 5.9% | 7.0% | 11.0% |
| Vancouver Periphery | 6.6% | 8.3% | 7.4% |
| Suburbs | 7.7% | 5.4% | 5.9% |
| Avg. Net Rent ($ p.s.f.) | $28.21 | $30.61 | $36.13 |
| Downtown | $36.29 | $37.27 | $41.32 |
| Vancouver Periphery | $29.25 | $29.01 | $32.95 |
| Suburbs | $22.10 | $23.28 | $24.96 |
| Office Sales Volume (CAD) | $437m | $857m | $199m |

Source: JLL Research, Altus

## Retail

| | 2020 | 2021 | 2022 |
|---|---|---|---|
| Retail sales (billions) | $39.2b | $46.1b | $48.2b* |
| Sales of retail properties (CAD) | $387m | $591m | $626m |
| Total market inventory (million s.f.) | 125m | 124.5m | 125m |
| Availability, overall (%) | 2.7% | 2% | 1.8% |
| Vacancy, enclosed malls (%) | - | - | 5.2% |
| Average net rent ($ p.s.f.) | $31.75 | $33.23 | $34.20 |

Source: Statistics Canada, JLL Research
*Q4 2022 Data Estimated

# Winnipeg

## Economy and Residential

Winnipeg's economy grew by 3.7% in 2022, up from 1.9% growth in 2021, making it one of Canada's fastest growing regions over the past year. However, as the local economy is highly tied to manufacturing, transportation and warehousing, it has been disproportionally affected by supply chain disruptions. Inflation has been higher in Winnipeg than any other city besides Montréal.

Overall rental apartment vacancy rate fell from 4.9% to 2.8% over the past year. Rental growth was fairly low due to the province's 0% rental increase guideline for the year, as well as strong supply growth.

## Industrial

Average rents have surpassed $11 p.s.f., pushing year-over-year rental growth to 16%. Annual net absorption was 1.5 million s.f. while new supply deliveries were less than half that, nearly matching their 2020 and 2021 total.

Market vacancy rose by 70 bps for the final quarter, but remains down 120 bps from a year ago, and near historical lows. With several large projects breaking ground toward the middle of 2023, this could put mild upward pressure on vacancy over the next year.

With capital markets in flux, there were very few for-sale listings in 2022. However, PIRET's 800,000-s.f. Winnipeg and Regina industrial portfolio was put under contract and will close in early 2023.

## Economy

| | 2020 | 2021 | 2022 |
|---|---|---|---|
| Population (CMA, millions) | 850,558 | 858,848 | 871,778 |
| Annual Population growth | 0.74% | 0.97% | 1.51% |
| Unemployment rate | 8.8% | 6.8% | 4.8% |
| GDP (billions of CAD) | $42.6b | $43.5b | $45.1b |
| GDP, annual growth | -5.4% | 1.9% | 3.7% |

Source: Statistics Canada

## Residential

| | 2020 | 2021 | 2022 |
|---|---|---|---|
| Multifamily Units | | | |
| Purpose Built Rental | 74,608 | 78,067 | 80,702 |
| Condominium | N/A | N/A | 20,161 |
| New Rental Units | 2,763 | 3,167 | 2,699 |
| Rental Vacancy Rate | 3.8% | 4.9% | 2.8% |
| Avg. Rent, 2-bdrm | $1,215 | $1,266 | $1,302 |
| Avg. Apartment Sale Price, per unit | $299,654 | $301,491 | $315,099 |
| Avg. Housing Price | $315,099 | $347,843 | $375,460 |
| Housing Starts | 5,080 | 5,660 | 5,110 |

Source: JLL Research, CMHC, Statistics Canada, Canadian Real Estate Association, Altus

## Industrial

| | 2020 | 2021 | 2022 |
|---|---|---|---|
| Inventory (million s.f.) | 79.1m | 79.8m | 80.5m |
| YTD Net Absorption (million s.f.) | 1.1m | 0.7m | 1.5m |
| Completions (s.f.) | 760,200 | 717,840 | 703,048 |
| Under Construction (s.f.) | 257,000 | 520,850 | 627,710 |
| Total Vacancy Rate (%) | 4.2% | 3.8% | 2.6% |
| Avg. Net Rent ($ p.s.f.) | $9.20 | $9.50 | $11.02 |
| Avg. Sale Price ($ p.s.f.) | $141.85 | $140.51 | $153.6 |

Source: JLL Research, Capital Commercial Real Estate Services, Inc.

# Winnipeg

## Office

As occupiers continue their push back to the office, annual net absorption improved over 2021, finishing the year at -77,661 s.f. Nevertheless, office vacancy ticked up by 100 bps, ending 2022 at 15.8%.

As downtown has struggled with the return to work, the suburbs have outperformed. Net absorption reached nearly 58,175 s.f. compared to -135,836 s.f. downtown. Suburban rents have been growing, albeit mildly.

Alston Properties purchased 175-185 Carlton Street with the intention of launching a conversion into a mixed-use asset that includes residential and retail.

## Retail

2022 was a fairly active year for retail sales in Winnipeg. Shindico acquired the 200,000-s.f. Swancoat retail portfolio of primarily essential needs assets. Meanwhile, MEC's building at 303 Portage Avenue was sold as part of a national portfolio and they entered into a long-term lease on the property.

Retail vacancy fell from 4.1% to 3.2%, while average rents fell slightly from a year ago.

Cadillac Fairview and Shindico released plans for their redevelopment at Polo Park. The proposal would add 3,700 new housing units in more than a dozen buildings of 6-12 storeys. Construction cost is estimated at over $1b.

### Office

| | 2020 | 2021 | 2022 |
|---|---|---|---|
| Inventory (million s.f.) | 12.5m | 12.5m | 12.6m |
| Downtown | 9.3m | 9.3m | 9.3m |
| Suburbs | 3.2m | 3.2m | 3.3m |
| YTD Net Absorption (s.f.) | -262,013 | -188,079 | -77,661 |
| Downtown | -252,029 | -192,406 | -135,836 |
| Suburbs | -9,984 | 4,327 | 58,175 |
| Completions (s.f.) | 97,200 | 0 | 58,175 |
| Downtown | 37,200 | 0 | 0 |
| Suburbs | 60,000 | 0 | 58,175 |
| Under Construction (s.f.) | 130,000 | 183,751 | 300,000 |
| Downtown | 0 | 0 | 300,000 |
| Suburbs | 130,000 | 183,751 | 300,000 |
| Total Vacancy Rate (%) | 13.3% | 14.8% | 15.8% |
| Downtown | 14.9% | 17.0% | 18.4% |
| Suburbs | 8.6% | 8.5% | 8.2% |
| Avg. Net Rent ($ p.s.f.) | $15.27 | $16.07 | $16.10 |
| Downtown | $15.43 | $16.20 | $16.20 |
| Suburbs | $14.44 | $15.28 | $15.39 |

Source: JLL Research, Capital Commercial Real Estate Services, Inc.

### Retail

| | 2020 | 2021 | 2022 |
|---|---|---|---|
| Retail sales (billions) | $12.8b | $14.7b | $15.9b |
| Sales of retail properties (CAD) | $52m | $209m | $312m |
| Total market inventory (million s.f.) | - | - | 16.1m |
| Availability, overall (%) | - | - | 3.2% |
| Average net rent ($ p.s.f.) | - | - | $22.16 |

Source: Statistics Canada, JLL Research, Capital Commercial Real Estate Services, Inc.

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