Modest improvements in downtown Class A towers, with conversions on the rise

▲ 18.2%
Vacancy Rate

▲ -461K
SF Net Absorption

▼ 11.3M
SF Under Construction

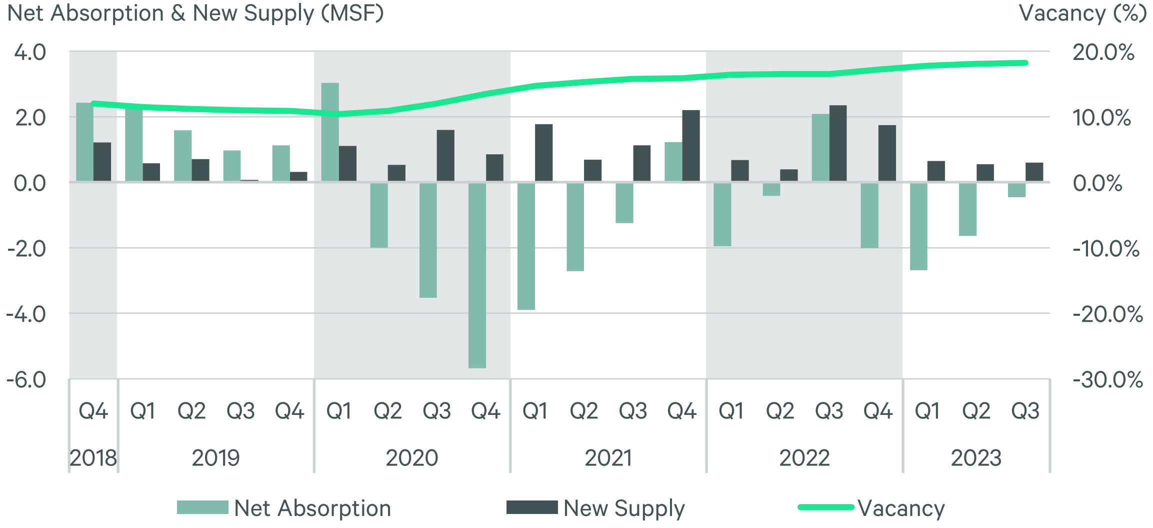
▼ $25.36
PSF Average Class A Net Rent

Note: Arrows indicate change from previous quarter.

Executive Summary

- The national office vacancy rate increased by only 10 basis points (bps) this quarter, as modest improvements in Class A buildings and a growing number of office conversions nearly offset the impact of rising Class B vacancy rates.
- Demand for best-in-class properties remains strong, with nine out of 10 Canadian markets experiencing stable or contracting downtown Class A vacancy rates this quarter.
- A growing number of underutilized Class B and C properties are being removed from inventory as they are converted to residential and other uses.
- Net absorption has shown steady improvement this year, with the negative totals almost curbed this quarter. The slightly negative total is primarily due to ongoing tenant rightsizing efforts across the country.
- As Q3 2023 witnessed nearly no new meaningful office construction starts, the anticipated Q4 deliveries will result in the construction pipeline decreasing to its lowest level since 2011.

FIGURE 1: National Office Supply & Demand



Source: CBRE Research, Q3 2023.

Bifurcation continues with tenants setting sights on best-in-class properties

– Tenants have continued to target best-in-class properties with several markets noting the greatest positive gains within their Class A product. As such, both downtown and suburban Class A vacancy fell in Q3 versus Class B which increased.

– Downtown in particular saw a marked improvement in Class A product this quarter with seven markets posting lower vacancy on a quarter-over-quarter basis. Winnipeg and Montreal saw theirs hold while Vancouver, where the 11.0% downtown Class A vacancy rate is the lowest in Canada, increased 10 bps. Overall, the national downtown Class A vacancy rate contracted by 20 bps in Q3.

– These differing performances reflect the priorities of tenants for high-quality, well-amenitized office buildings in nodes that minimize employee commute times.

– Despite elevate vacancy, rental rates have largely remained competitive relative to Q1 2020. Instead, landlords are offering more generous incentive packages to secure tenants.

FIGURE 2: National Vacancy by Segment – Class A vs. B

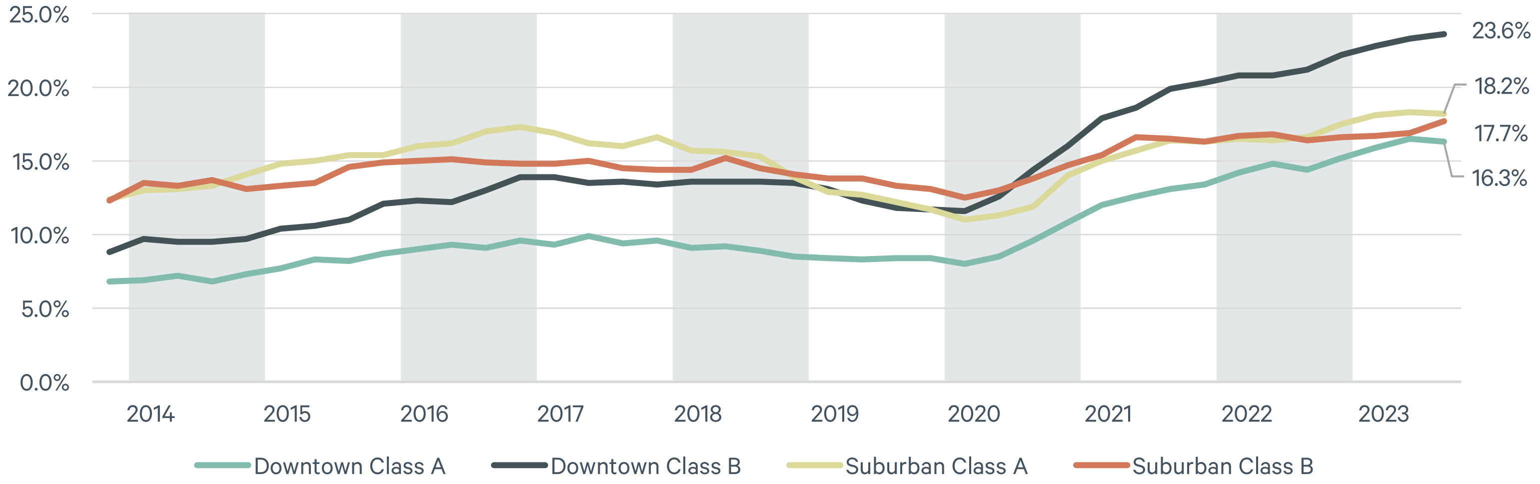
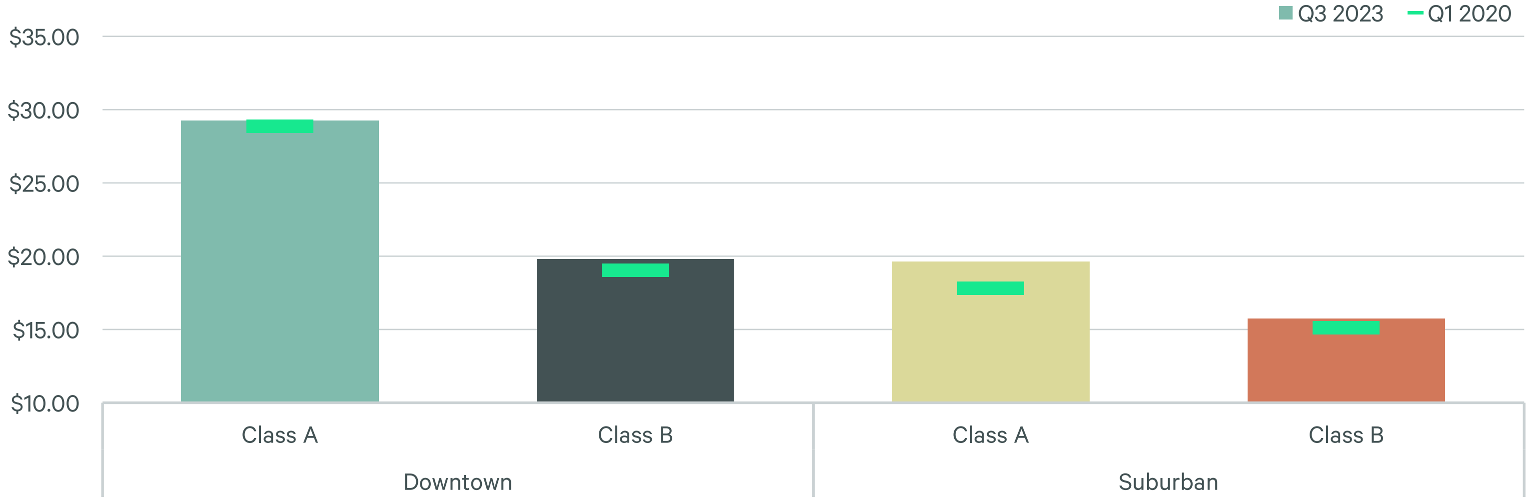


FIGURE 3: National Net Asking Rent by Segment (PSF) – Class A vs. B

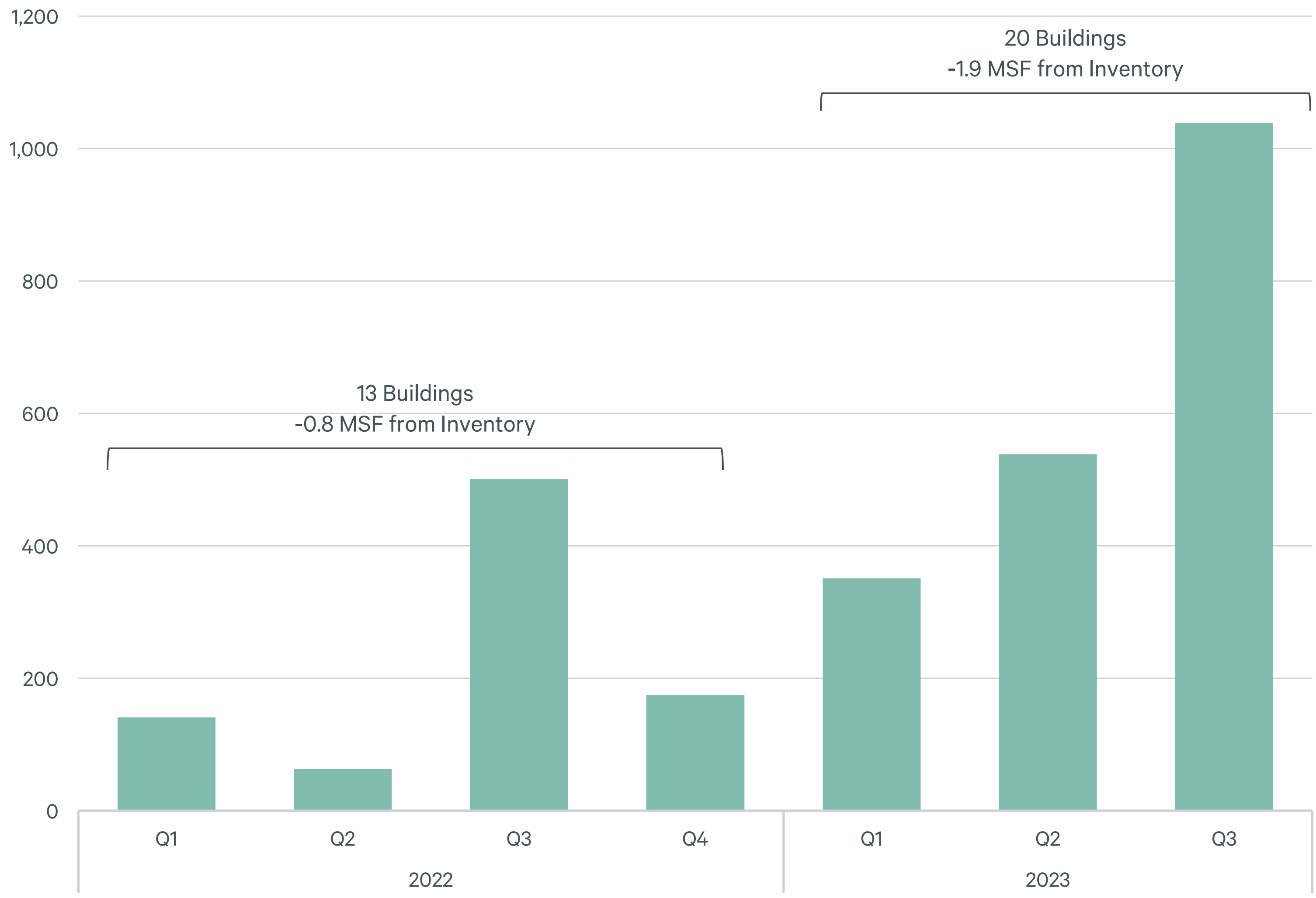


Source: CBRE Research, Q3 2023.

Office tower conversions on the rise, though economic viability a challenge absent incentives

- Since the beginning of 2022, a cumulative 2.8 million sq. ft. of competitive office space has been removed from inventory. Equal to 0.6% of total inventory, this space is most often being replaced with residential properties.
- Calgary and Ottawa have thus far seen the greatest number of office towers removed from inventory.
- Conversion to other uses has become an increasingly attractive option for older, less competitive buildings as elevated vacancy rates provide tenants with a greater number of choices. However, feasible projects are limited, and conversions will not be a silver bullet to solving for elevated office vacancy.
- Government incentives often play an outsized role in making these extremely complex projects potentially financially viable. With Calgary providing incentives of up to $75.00 per sq. ft. conversions are most common there.

FIGURE 4: Office Buildings Removed from Inventory (000's SF)



Source: CBRE Research, Q3 2023.

Downtown holds stable, aided by removal of inventory

- The national office vacancy rate increased 10 bps this quarter to 18.2%. Most of this increase was due to the suburbs where vacancy continued to climb. Downtown meanwhile, held steady.
- This quarter saw the most widespread downtown market improvement with five cities experiencing declining downtown vacancy, including: Ottawa (-80 bps), Calgary (-60 bps), London (-30 bps), Toronto (-10 bps) and Edmonton (-10 bps).
- Conversely, just three cities saw their suburban vacancy rate contract: Calgary (-90 bps), Halifax (-50 bps) and Waterloo Region (-20 bps).
- A series of downtown buildings being converted or demolished were removed from inventory this quarter in Ottawa and Calgary which overall aided in declining vacancy. In a continuation from last quarter, a greater number of Calgary landlords are opting to transform vacant suites or floors into building amenity space.

FIGURE 5: National Downtown vs Suburban Vacancy Rate

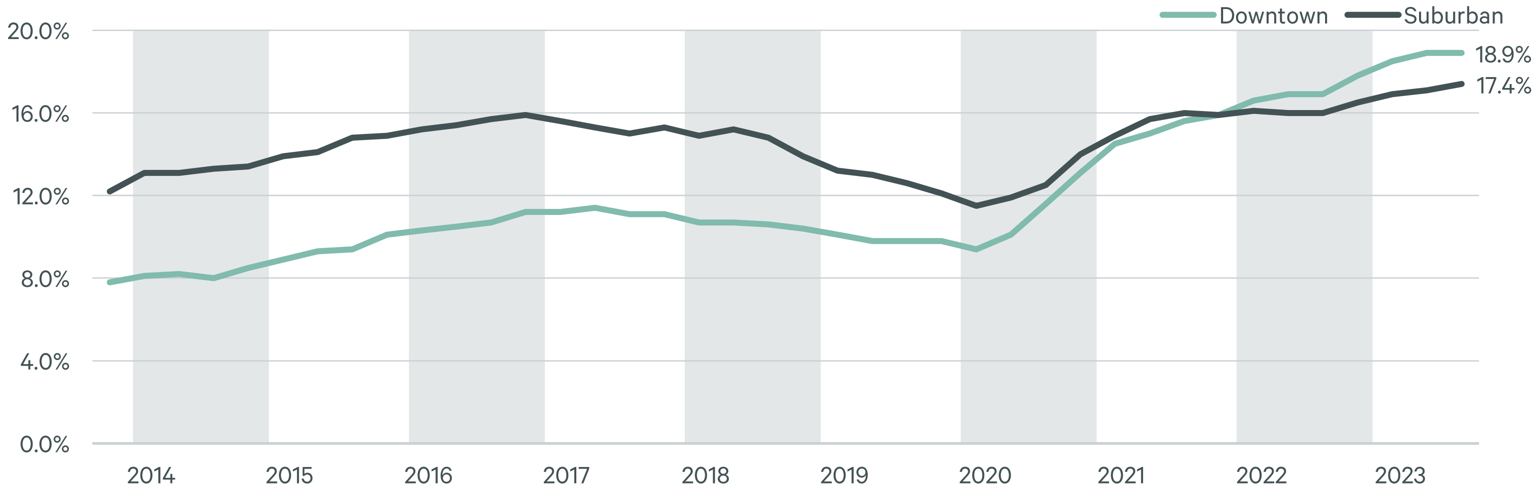
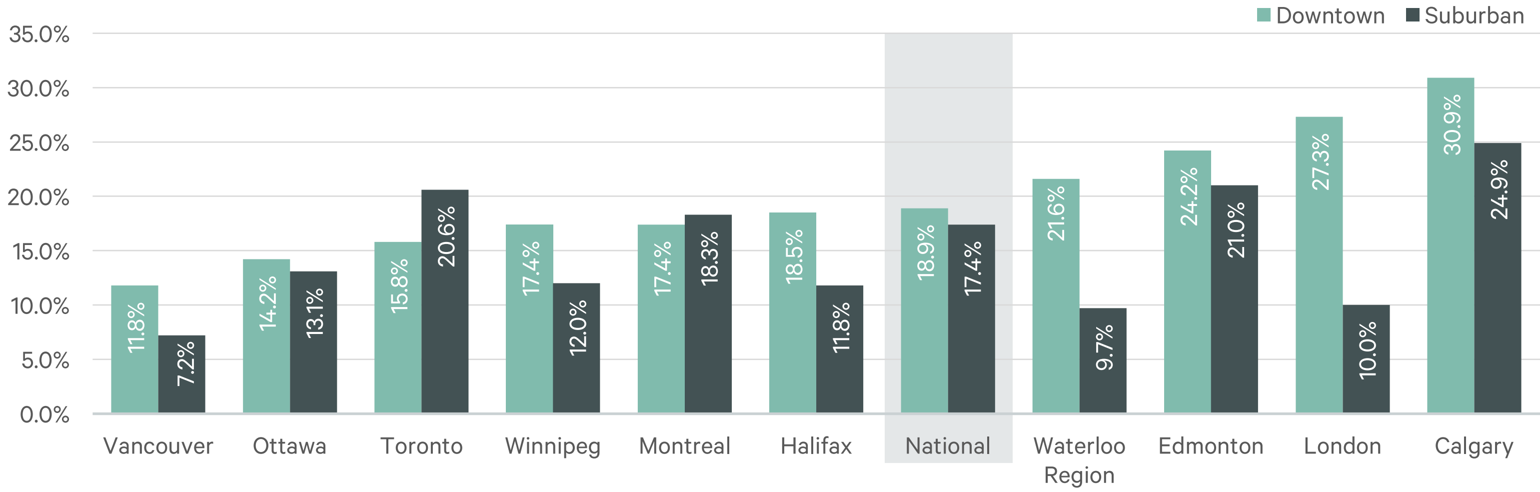


FIGURE 6: Downtown vs Suburban Vacancy by Market



Source: CBRE Research, Q3 2023.

Net absorption edging closer to positive territory

- The pace of negative net absorption has curbed with progressively less being posted nationally each quarter since the beginning of the year.
- Unlike previous recent quarters, no one market had an oversized impact on the national results.
- Calgary has posted back-to-back quarters of positive net absorption and was joined this quarter by Toronto, Waterloo Region and Halifax. Toronto and Waterloo Region saw buildings deliver with some to significant pre-leasing; Toronto meanwhile also experienced positive momentum in the downtown core from tenants in the FIRE, legal and educational industries.
- Montreal and Vancouver were subject to various tenant downsizing and flight-to-quality movements this quarter and experienced the greatest negative net absorption.

FIGURE 7: Historical National Net Absorption (MSF)

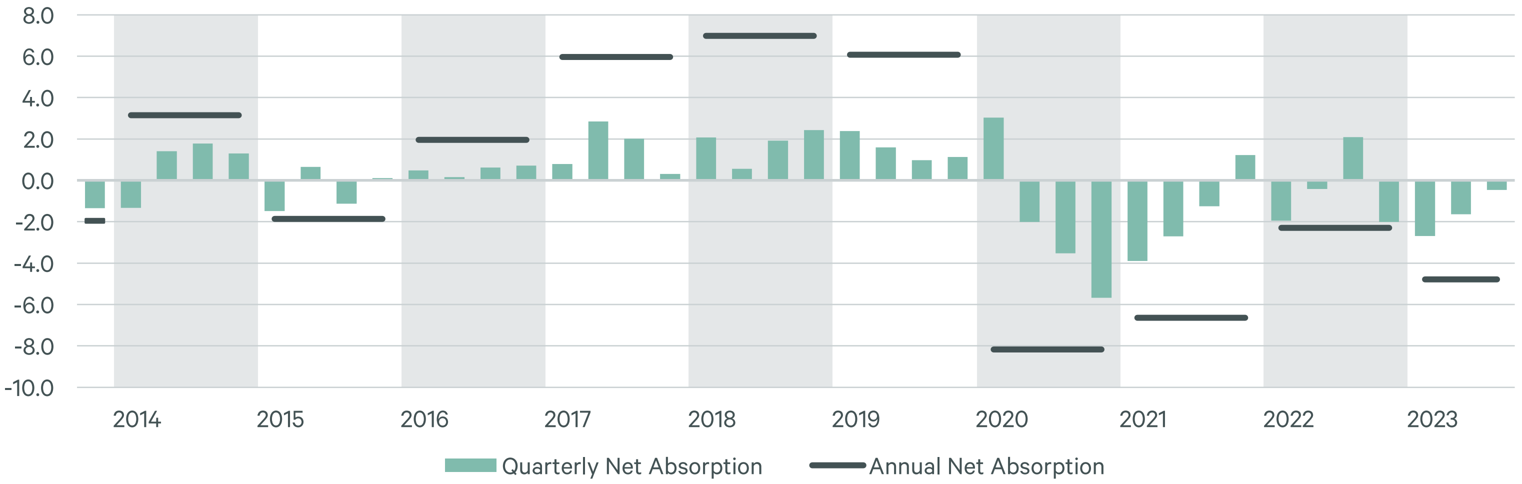
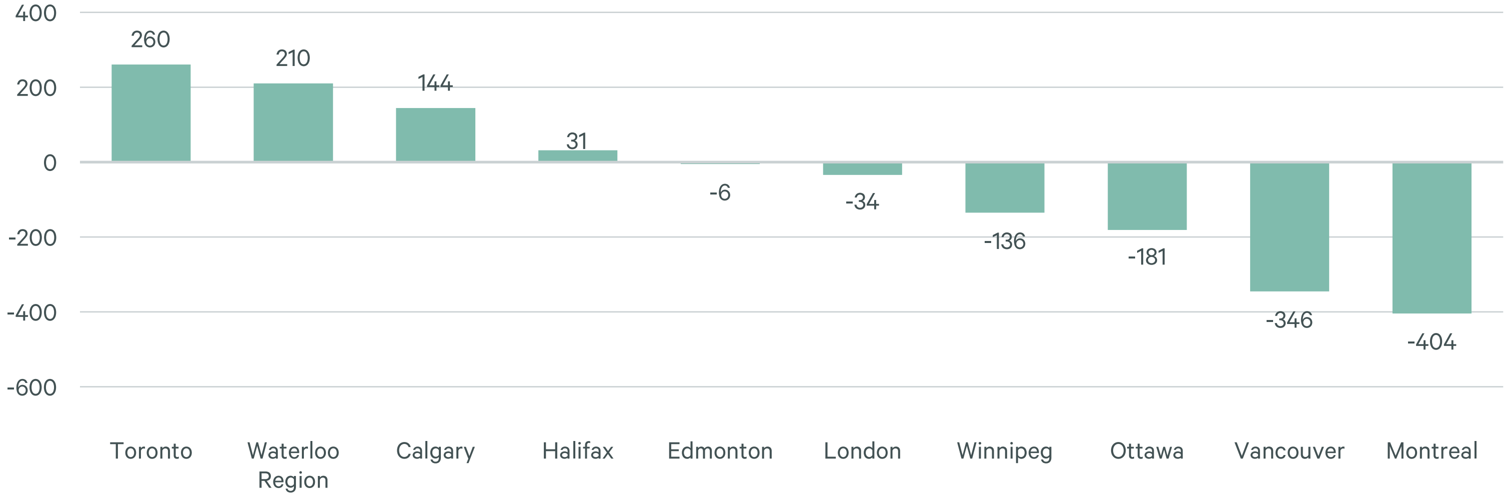


FIGURE 8: Current Quarter Net Absorption by Market (000's SF)



Source: CBRE Research, Q3 2023.

Sublet decline led by Alberta tenants reclaiming space

- The amount of sublet vacancy decreased in both the downtown and suburbs this quarter and currently account for 18.8% of vacant space or 3.4% of inventory.
- Calgary led the decrease where over 325,000 sq. ft. of sublet space came off the market in Q3. Much of this activity came in the form of tenants reclaiming their space. Overall, sublet vacancy is now equal to 4.0% of inventory in Calgary, the lowest it's been in this market since 2014.
- Most elsewhere we've seen sublet options increase. On a year-over-year basis, six markets have seen sublet space as a percent of inventory increase, most notably in Toronto (+130 bps) and Vancouver (+90 bps), where various rightsizing and flight-to-quality activity is taking place.

FIGURE 9: National Vacant Sublet Space – Suburban vs Downtown (MSF)

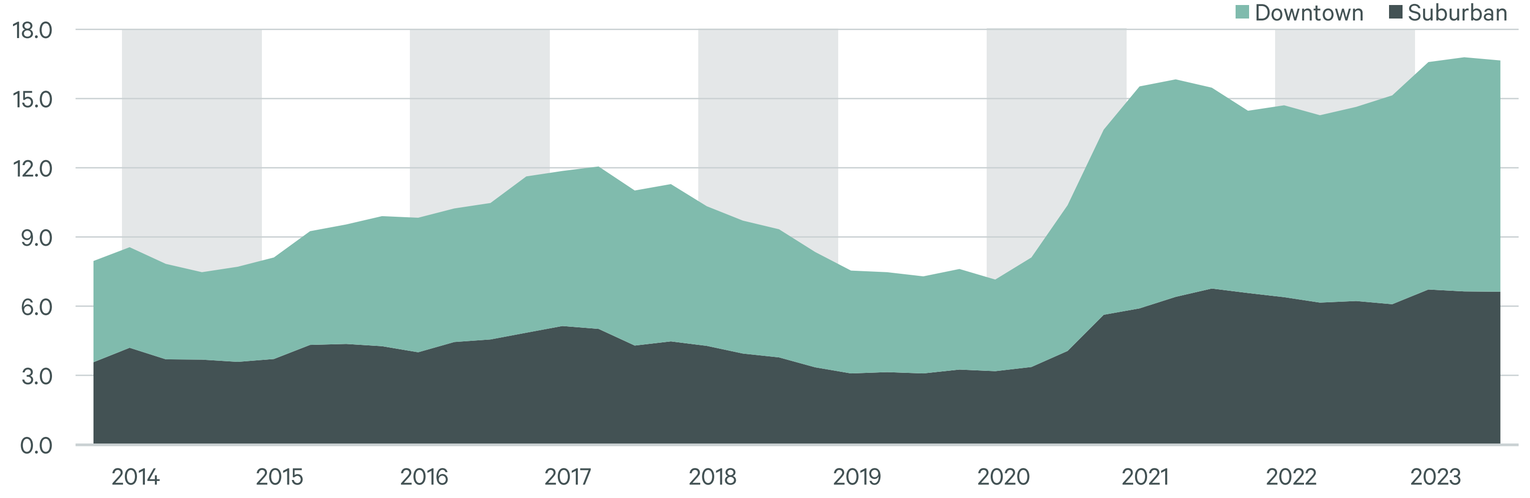
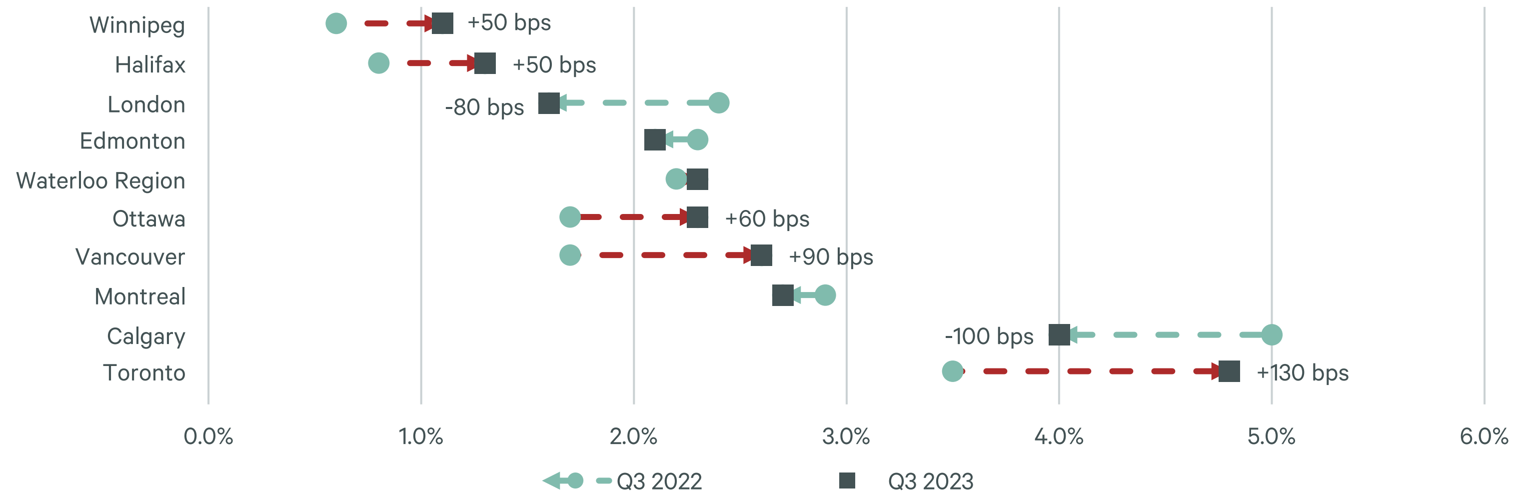


FIGURE 10: Year-over-Year Change in Sublet Space as a % of Inventory by Market



Source: CBRE Research, Q3 2023.

New office construction starts slow to lowest level in several years

- As has been the trend this year, increasingly fewer construction projects have been moving forward with just 89,000 sq. ft. commencing this quarter in the suburbs of Vancouver and Waterloo Region.

- Further, the average project size has lowered significantly. Gone are the days of sizable new builds, which were necessary to meet demand in Canada's prior low-vacancy environment. By comparison, the average office size of projects that commenced in 2018 was 168,000 sq. ft., versus this year which had a much more conservative average project size of 75,000 sq. ft.

- Conversely, 601,000 sq. ft. of new supply was delivered across three properties in Toronto and Waterloo Region in Q3. In total, 1.8 million sq. ft. has come online this year.

- Of the projects slated for delivery next quarter, approximately one third commenced prior to 2020 and are mostly located downtown. These impending completions are currently 61.3% pre-leased and should have a material impact on net absorption next quarter.

FIGURE 11: National Office Construction Starts (MSF)

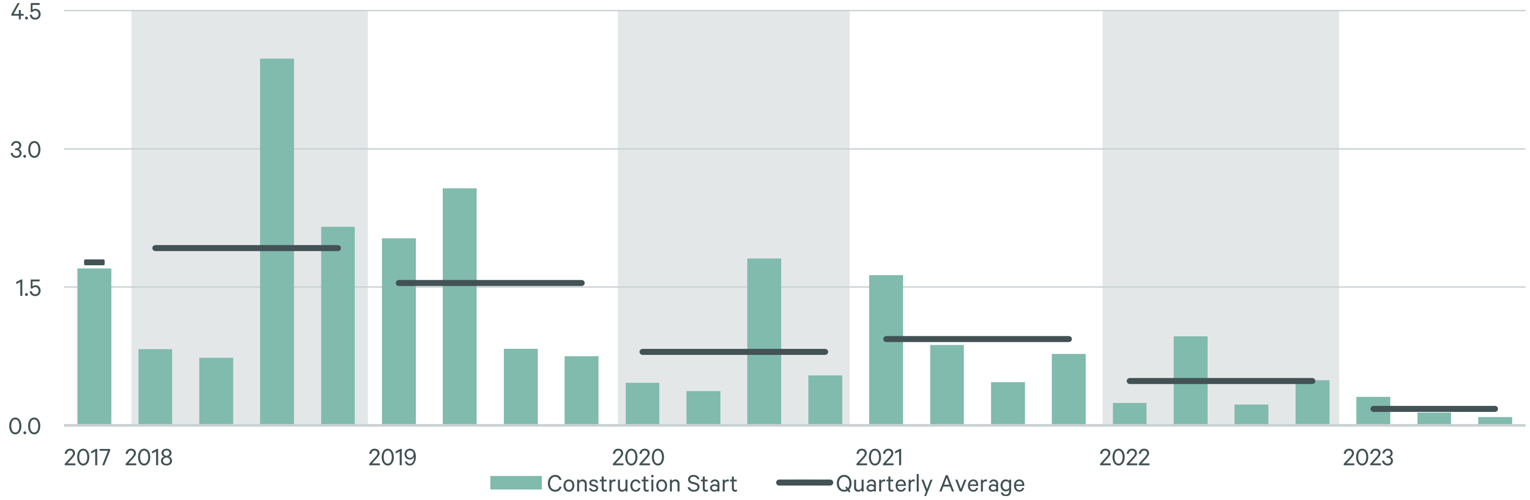
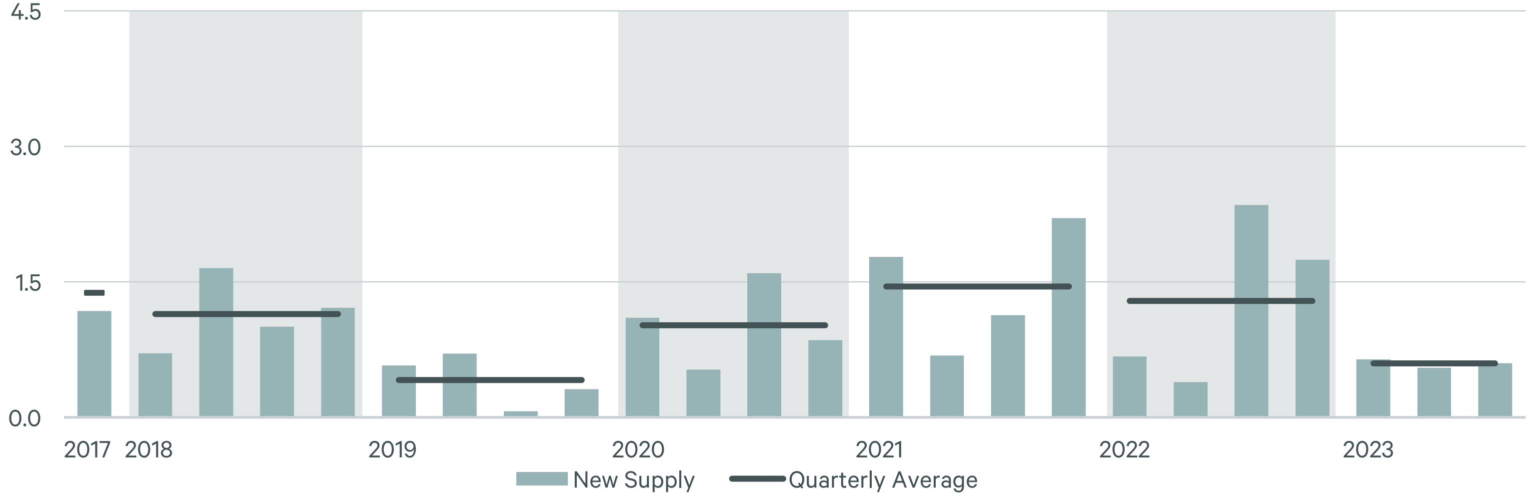


FIGURE 12: National Office New Supply Deliveries (MSF)



Source: CBRE Research, Q3 2023.

End of development cycle in sight

- The office development pipeline has lowered for a fifth consecutive quarter. 11.3 million sq. ft. remains under construction nationally, equal to 2.3% of existing inventory.
- Pre-leasing has largely hovered around the 50.0% mark, though it also remains true that projects that commenced prior to 2020 have the highest pre-leasing commitments at 84.3%, versus product that kicked off in 2020 or later at just 27.3%.
- 3.4 million sq. ft. of new supply is anticipated for delivery by year-end which is equal to approximately one third of active construction. The majority of this product is coming due in Toronto, though Wawanesa Tower in Winnipeg and Victoria sur le Parc in Montreal are also nearing completion.
- If all projects remain on schedule, the delivery of expected Q4 completions should see the office new construction pipeline drop its lowest level since 2011.

FIGURE 13: National Office Inventory Under Construction (MSF)

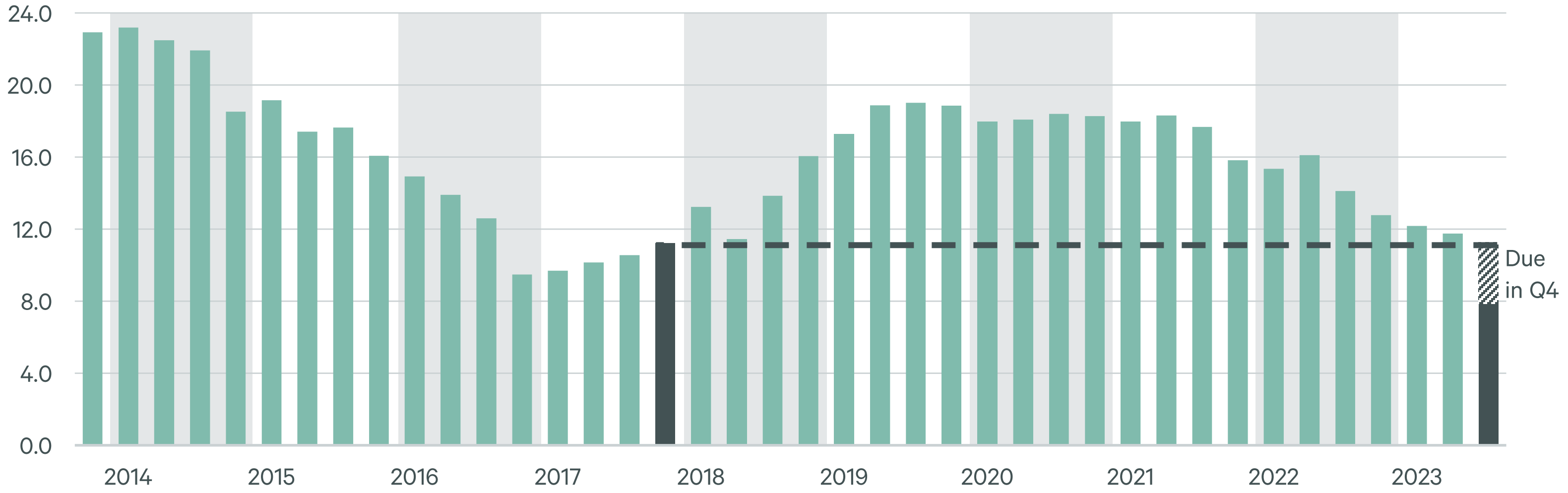
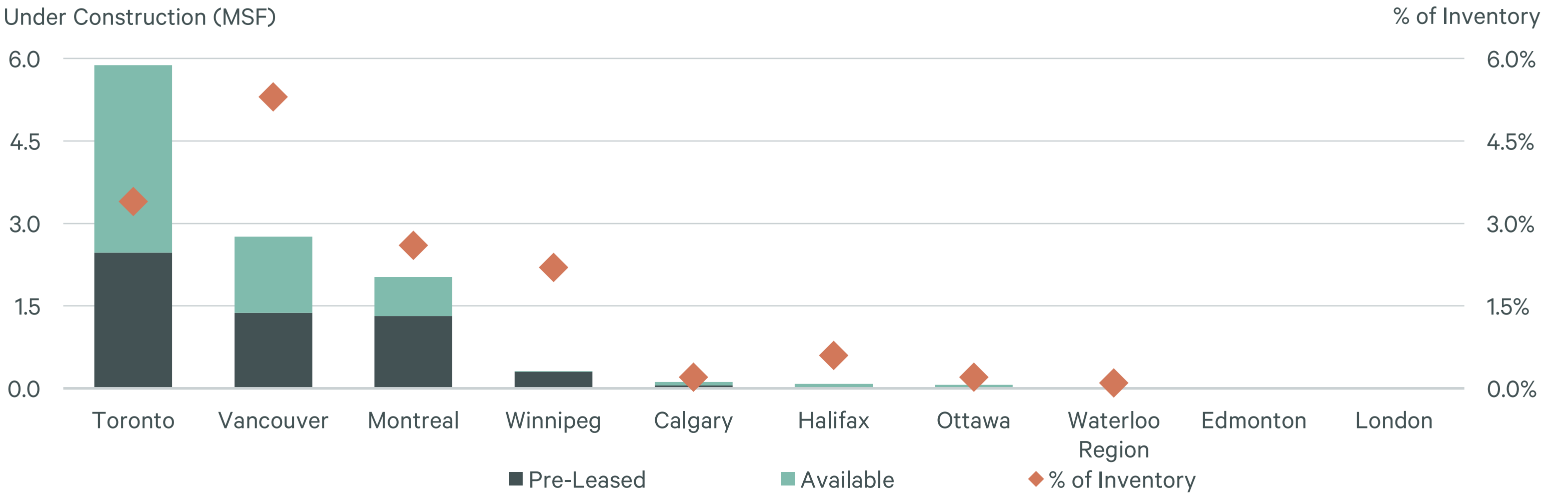
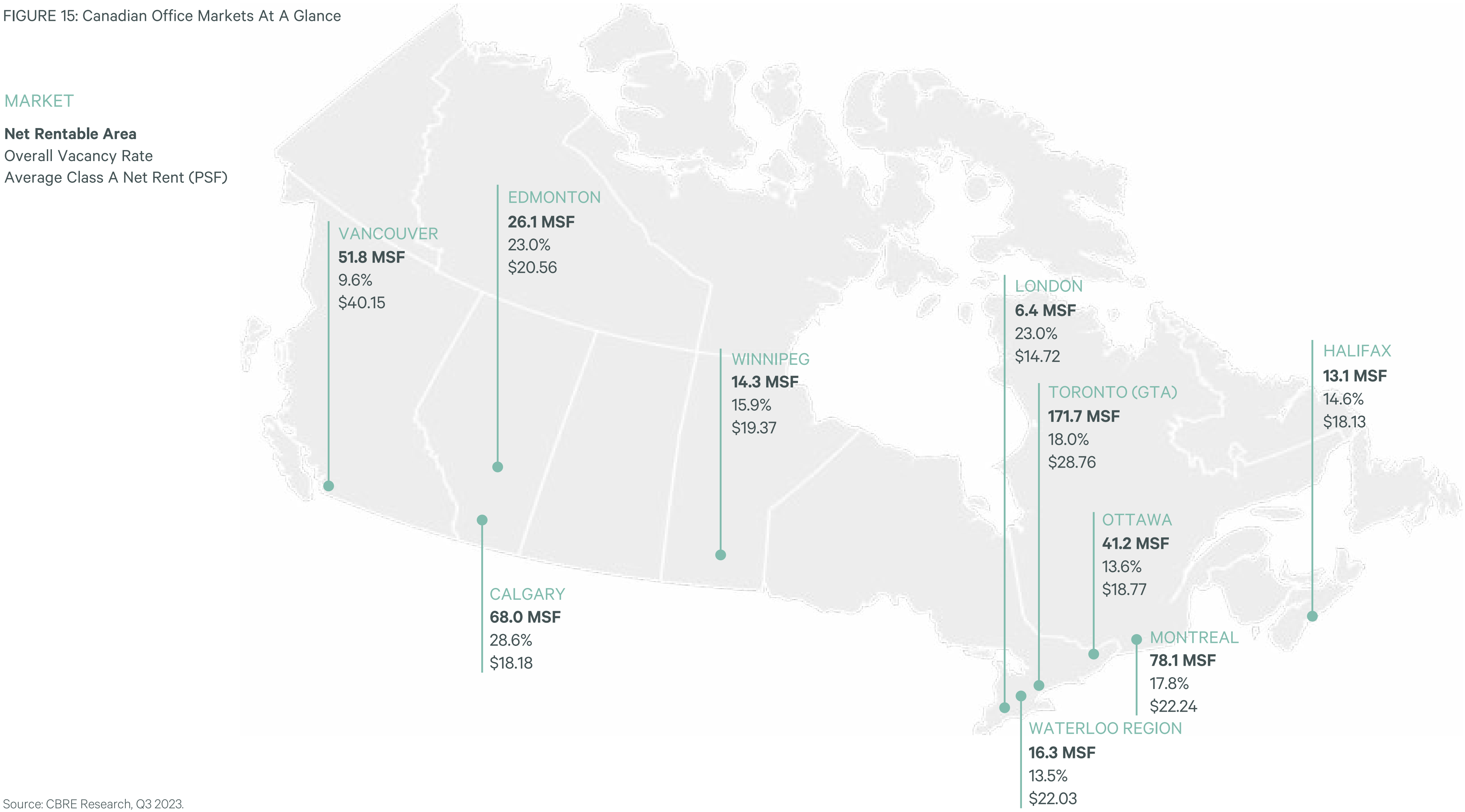


FIGURE 14: Under Construction by Market



Source: CBRE Research, Q3 2023.

FIGURE 15: Canadian Office Markets At A Glance



Source: CBRE Research, Q3 2023.

FIGURE 16: Canadian Office Markets Statistics, Q3 2023

DOWNTOWN	VANCOUVER	CALGARY	EDMONTON	WINNIPEG	LONDON	WATERLOO	TORONTO	OTTAWA	MONTREAL	HALIFAX	NATIONAL
Net Rentable Area	26,643,241	42,179,073	16,045,040	10,260,125	4,776,040	5,132,136	94,254,038	18,433,046	45,588,748	5,305,465	268,616,952
Overall Vacancy Rate	11.8%	30.9%	24.2%	17.4%	27.3%	21.6%	15.8%	14.2%	17.4%	18.5%	18.9%
Direct Space	2,228,339	10,923,106	3,533,214	1,663,432	1,206,726	1,027,417	10,272,459	2,256,209	6,637,552	932,986	40,681,440
Sublet Space	916,197	2,089,856	355,945	119,718	97,100	83,387	4,645,747	363,473	1,303,406	50,834	10,025,663
Sublet % of Vacant Space	29.1%	16.1%	9.2%	6.7%	7.4%	7.5%	31.3%	13.9%	16.4%	5.2%	19.8%
Class A Vacancy Rate	11.0%	25.4%	22.5%	14.8%	16.8%	21.3%	13.8%	11.1%	14.5%	21.7%	16.3%
Average Class A Net Rent (PSF)	$47.00	$17.57	$21.13	$19.37	$14.72	$27.48	$35.62	$22.85	$25.60	$19.01	$29.25
Quarter Net Absorption	-139,246	-49,667	5,021	-44,011	14,197	-7,265	314,411	-9,712	-184,809	-8,788	-109,869
Year-to-Date Net Absorption	79,348	201,372	-192,804	-158,178	-56,631	-83,952	-1,628,917	-483,912	-557,544	-35,911	-2,917,129
Quarter New Supply	0	0	0	0	0	0	375,000	0	0	0	375,000
Year-to-Date New Supply	752,942	0	0	0	0	0	521,000	0	147,000	0	1,420,942
Under Construction	1,153,477	0	0	300,000	0	0	5,170,293	61,888	1,555,907	0	8,241,565
SUBURBAN											
Net Rentable Area	25,177,968	25,798,758	10,037,106	4,045,296	1,605,465	11,129,843	77,446,659	22,726,071	32,475,466	7,748,338	218,190,970
Overall Vacancy Rate	7.2%	24.9%	21.0%	12.0%	10.0%	9.7%	20.6%	13.1%	18.3%	11.8%	17.4%
Direct Space	1,387,492	5,797,921	1,910,885	443,459	157,047	794,294	12,432,668	2,382,530	5,151,790	793,567	31,251,653
Sublet Space	435,789	628,889	197,325	42,322	3,900	290,561	3,532,774	588,085	786,811	122,230	6,628,686
Sublet % of Vacant Space	23.9%	9.8%	9.4%	8.7%	2.4%	26.8%	22.1%	19.8%	13.2%	13.3%	17.5%
Class A Vacancy Rate	7.2%	22.5%	16.8%	N/A	N/A	9.2%	23.9%	12.9%	16.4%	16.0%	18.2%
Average Class A Net Rent (PSF)	$30.00	$19.48	$18.59	N/A	N/A	$16.99	$18.76	$15.83	$17.38	$16.75	$19.64
Quarter Net Absorption	-206,535	193,700	-10,654	-91,525	-48,287	217,383	-54,047	-171,639	-219,510	40,021	-351,093
Year-to-Date Net Absorption	-320,228	190,380	-1,617	-140,391	-12,232	-4,267	-1,042,223	-589,921	-37,160	84,339	-1,873,320
Quarter New Supply	0	0	0	0	0	226,000	0	0	0	0	226,000
Year-to-Date New Supply	93,193	0	0	0	0	226,000	55,000	0	0	0	374,193
Under Construction	1,604,940	118,000	0	14,234	0	14,000	710,606	0	470,000	81,000	3,012,780
TOTAL											
Net Rentable Area	51,821,209	67,977,831	26,082,146	14,305,421	6,381,505	16,261,979	171,700,697	41,159,117	78,064,214	13,053,803	486,807,922
Overall Vacancy Rate	9.6%	28.6%	23.0%	15.9%	23.0%	13.5%	18.0%	13.6%	17.8%	14.6%	18.2%
Direct Space	3,615,831	16,721,027	5,444,099	2,106,891	1,363,773	1,821,711	22,705,127	4,638,739	11,789,342	1,726,553	71,933,093
Sublet Space	1,351,986	2,718,745	553,270	162,040	101,000	373,948	8,178,521	951,558	2,090,217	173,064	16,654,349
Sublet % of Vacant Space	27.2%	14.0%	9.2%	7.1%	6.9%	17.0%	26.5%	17.0%	15.1%	9.1%	18.8%
Class A Vacancy Rate	9.1%	24.5%	20.9%	14.8%	16.8%	12.6%	17.9%	12.1%	15.2%	18.9%	17.1%
Average Class A Net Rent (PSF)	$40.15	$18.18	$20.56	$19.37	$14.72	$22.03	$28.76	$18.77	$22.24	$18.13	$25.36
Quarter Net Absorption	-345,781	144,033	-5,633	-135,536	-34,090	210,118	260,364	-181,351	-404,319	31,233	-460,962
Year-to-Date Net Absorption	-240,880	391,752	-194,421	-298,569	-68,863	-88,219	-2,671,140	-1,073,833	-594,704	48,428	-4,790,449
Quarter New Supply	0	0	0	0	0	226,000	375,000	0	0	0	601,000
Year-to-Date New Supply	846,135	0	0	0	0	226,000	576,000	0	147,000	0	1,795,135
Under Construction	2,758,417	118,000	0	314,234	0	14,000	5,880,899	61,888	2,025,907	81,000	11,254,345

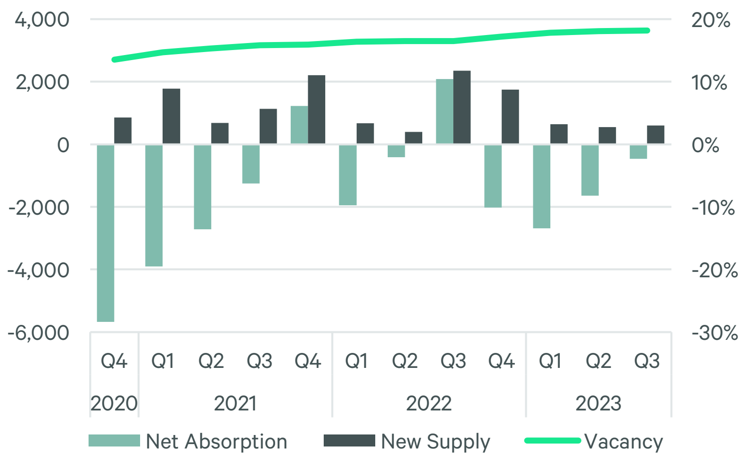
Source: CBRE Research, Q3 2023.

Canada

Office market conditions experienced minor softening nationally this quarter, where market conditions were bolstered by modest improvements in downtown Class A towers and office inventory removals, due to pending demolitions and conversions. Tenants remain focused on rightsizing efforts, with most of the activity taking place in best-in-class product.

MARKET STATS	DOWNTOWN	SUBURBAN	TOTAL	Q/Q
Net Rentable Area	268,616,952	218,190,970	486,807,922	▼
Overall Vacancy Rate	18.9%	17.4%	18.2%	▲
Direct Space	40,681,440	31,251,653	71,933,093	▲
Sublet Space	10,025,663	6,628,686	16,654,349	▼
Sublet % of Vacant	19.8%	17.5%	18.8%	▼
Class A Vacancy Rate	16.3%	18.2%	17.1%	▼
Avg. Class A Net Rent (PSF)	$29.25	$19.64	$25.36	▼
Quarter Net Absorption	-109,869	-351,093	-460,962	▲
Quarter New Supply	375,000	226,000	601,000	▲
Under Construction	8,241,565	3,012,780	11,254,345	▼

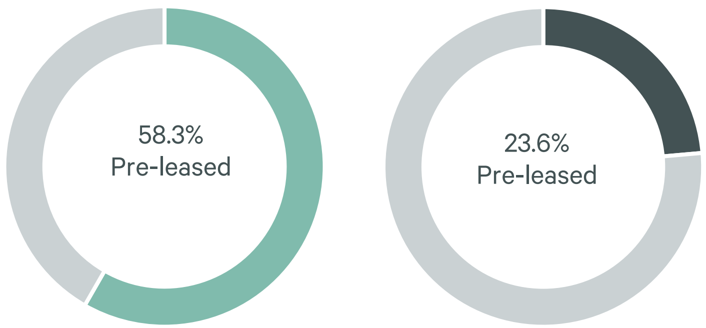
METRO SUPPLY & DEMAND



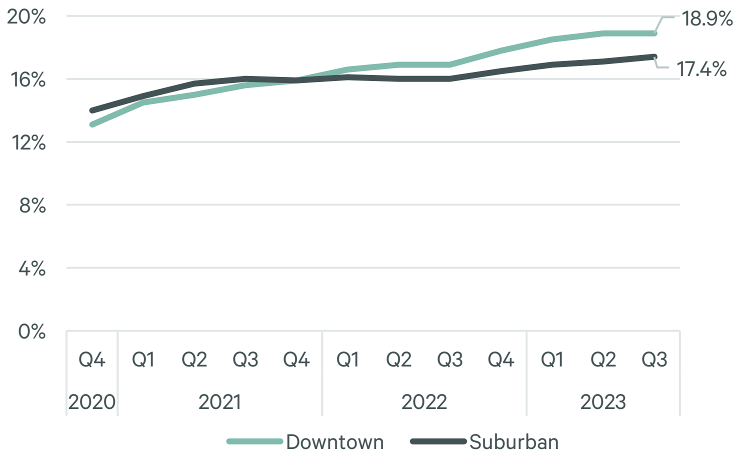
UNDER CONSTRUCTION

Downtown
8.2 MSF
3.1% of Inventory

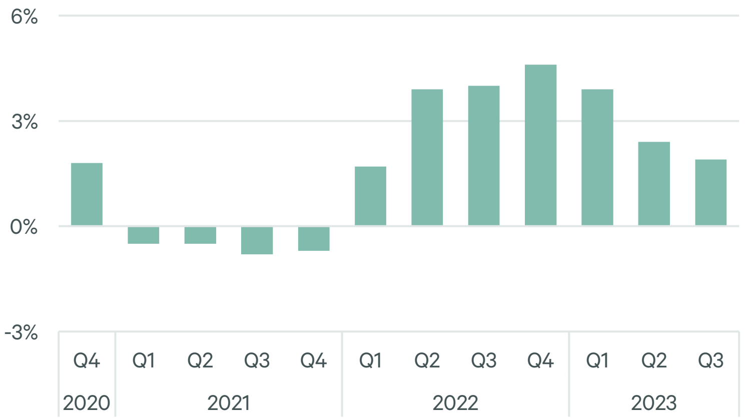
Suburban
3.0 MSF
1.4% of Inventory



DOWNTOWN VS SUBURBAN VACANCY



METRO CLASS A RENT, Y-o-Y GROWTH

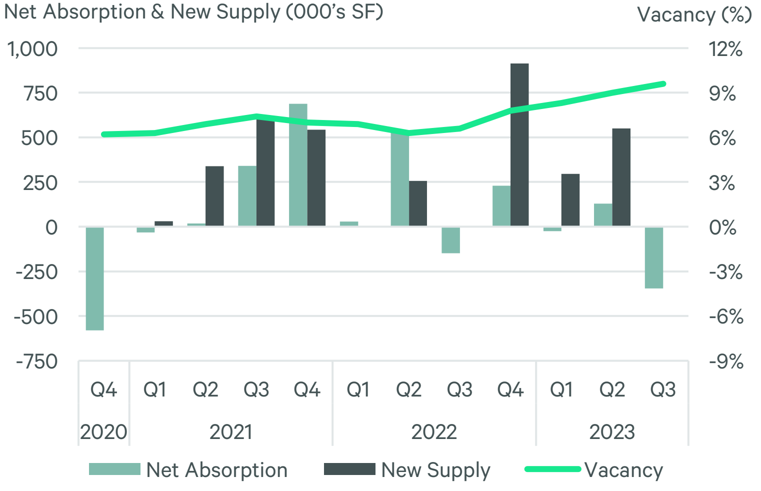


Vancouver

Downtown vacancy increased 30 bps to 11.8% this quarter, the result of tenant relocations into best-in-class premises from the latest new build cycle which is set to complete in 2024. Likewise, Vancouver's suburban office market slowed for a third consecutive quarter as vacancy increased by 80 bps, their largest quarterly increase in over five years.

MARKET STATS	DOWNTOWN	SUBURBAN	TOTAL	Q/Q
Net Rentable Area	26,643,241	25,177,968	51,821,209	▼
Overall Vacancy Rate	11.8%	7.2%	9.6%	▲
Direct Space	2,228,339	1,387,492	3,615,831	▲
Sublet Space	916,197	435,789	1,351,986	▲
Sublet % of Vacant	29.1%	23.9%	27.2%	▲
Class A Vacancy Rate	11.0%	7.2%	9.1%	▲
Avg. Class A Net Rent (PSF)	$47.00	$30.00	$40.15	▼
Quarter Net Absorption	-139,246	-206,535	-345,781	▼
Quarter New Supply	0	0	0	▼
Under Construction	1,153,477	1,604,940	2,758,417	▲

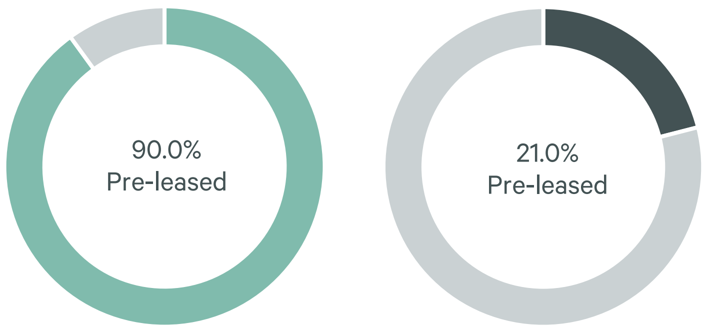
METRO SUPPLY & DEMAND



UNDER CONSTRUCTION

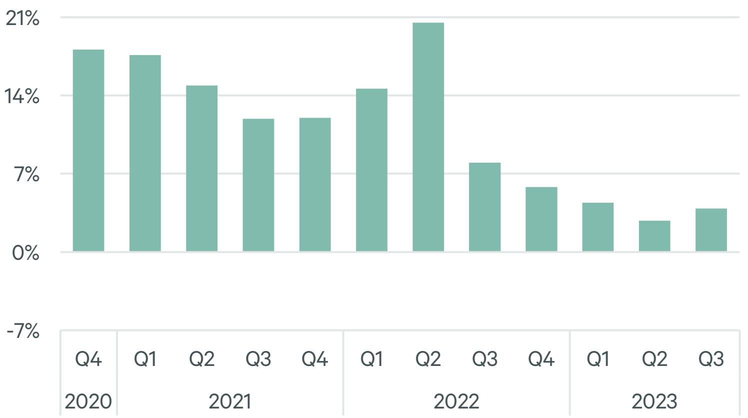
Downtown
1.2 MSF
4.3% of Inventory

Suburban
1.6 MSF
6.4% of Inventory



DOWNTOWN VS SUBURBAN VACANCY

METRO CLASS A RENT, Y-o-Y GROWTH

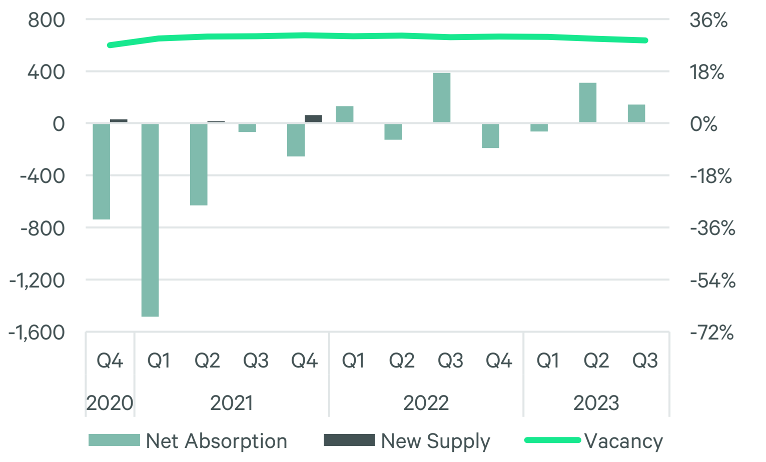


Calgary

Sublease space fell over the quarter by 13.9%, driven primarily by the suburbs where a high volume of space was reclaimed by tenants. As a result, and along with increased leasing velocity in Q3 2023, the suburbs experienced their strongest quarter of net absorption since 2018.

MARKET STATS	DOWNTOWN	SUBURBAN	TOTAL	Q/Q
Net Rentable Area	42,179,073	25,798,758	67,977,831	▼
Overall Vacancy Rate	30.9%	24.9%	28.6%	▼
Direct Space	10,923,106	5,797,921	16,721,027	▼
Sublet Space	2,089,856	628,889	2,718,745	▼
Sublet % of Vacant	16.1%	9.8%	14.0%	▼
Class A Vacancy Rate	25.4%	22.5%	24.5%	▼
Avg. Class A Net Rent (PSF)	$17.57	$19.48	$18.18	▲
Quarter Net Absorption	-49,667	193,700	144,033	▼
Quarter New Supply	0	0	0	◀▶
Under Construction	0	118,000	118,000	◀▶

METRO SUPPLY & DEMAND

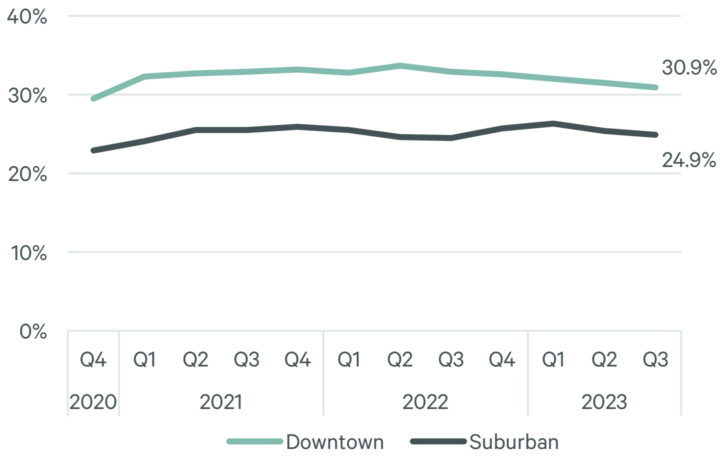


UNDER CONSTRUCTION

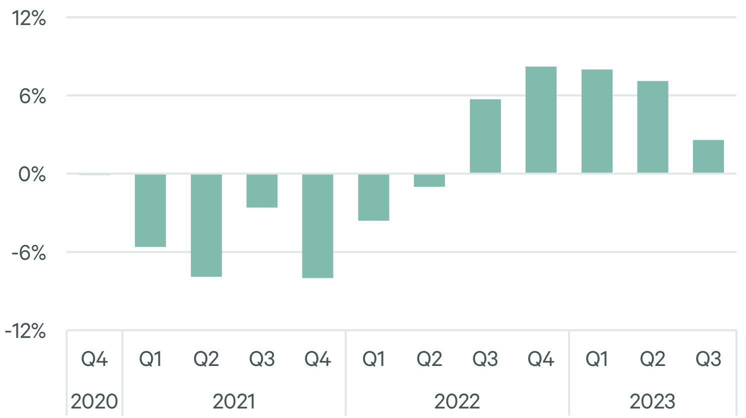
Downtown
0 MSF
0% of Inventory

Suburban
0.1 MSF
0.5% of Inventory

DOWNTOWN VS SUBURBAN VACANCY



METRO CLASS A RENT, Y-o-Y GROWTH



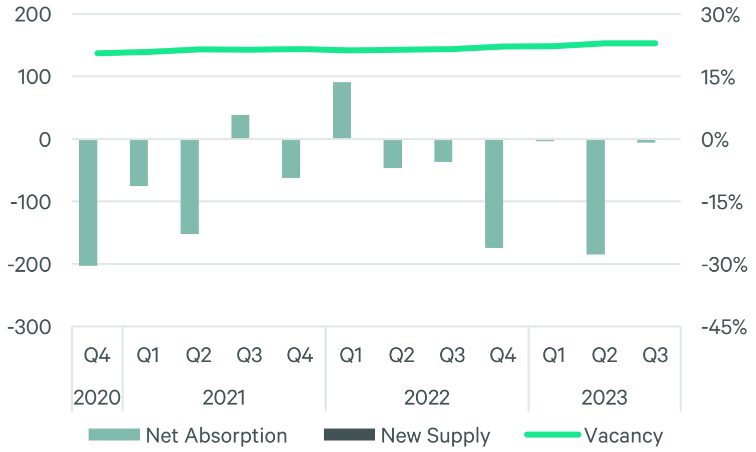
Edmonton

Edmonton had a stable quarter, maintaining an overall vacancy rate of 23.0%. Companies continue to right-size and eliminate underutilized space, but this was offset this quarter by activity in downtown Class A space, which reported a total 46,000 sq. ft. of positive net absorption.

MARKET STATS	DOWNTOWN	SUBURBAN	TOTAL	Q/Q
Net Rentable Area	16,045,040	10,037,106	26,082,146	◀▶
Overall Vacancy Rate	24.2%	21.0%	23.0%	◀▶
Direct Space	3,533,214	1,910,885	5,444,099	▲
Sublet Space	355,945	197,325	553,270	▼
Sublet % of Vacant	9.2%	9.4%	9.2%	▼
Class A Vacancy Rate	22.5%	16.8%	20.9%	▼
Avg. Class A Net Rent (PSF)	$21.13	$18.59	$20.56	▼
Quarter Net Absorption	5,021	-10,654	-5,633	▲
Quarter New Supply	0	0	0	◀▶
Under Construction	0	0	0	◀▶

METRO SUPPLY & DEMAND

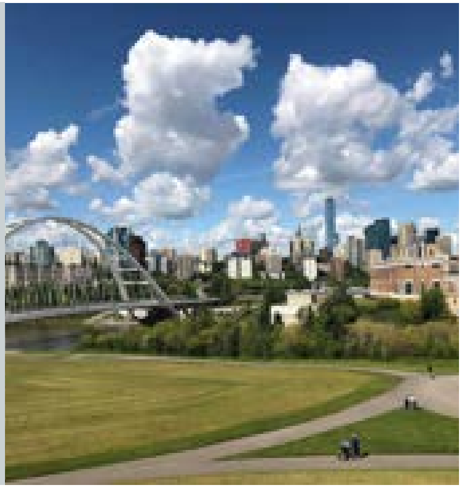
Net Absorption & New Supply (000's SF) Vacancy (%)



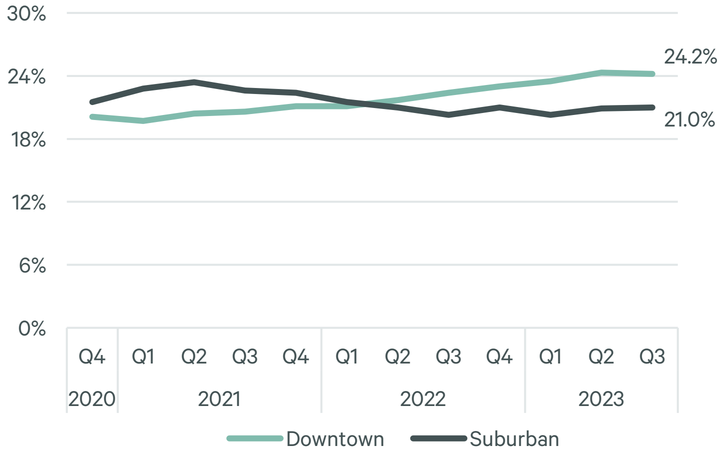
UNDER CONSTRUCTION

Downtown
0 MSF
0% of Inventory

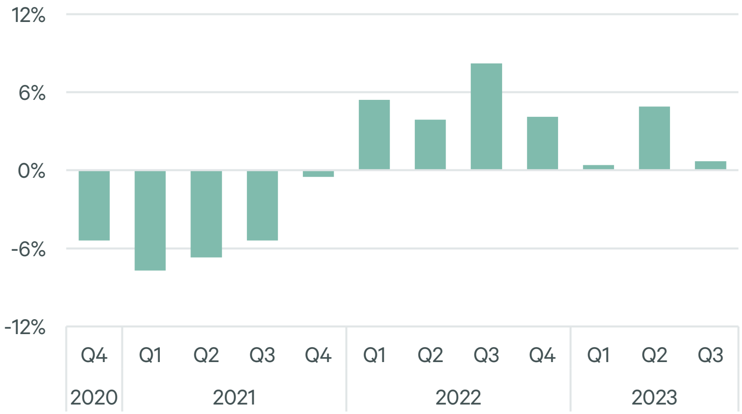
Suburban
0 MSF
0% of Inventory



DOWNTOWN VS SUBURBAN VACANCY



METRO CLASS A RENT, Y-o-Y GROWTH

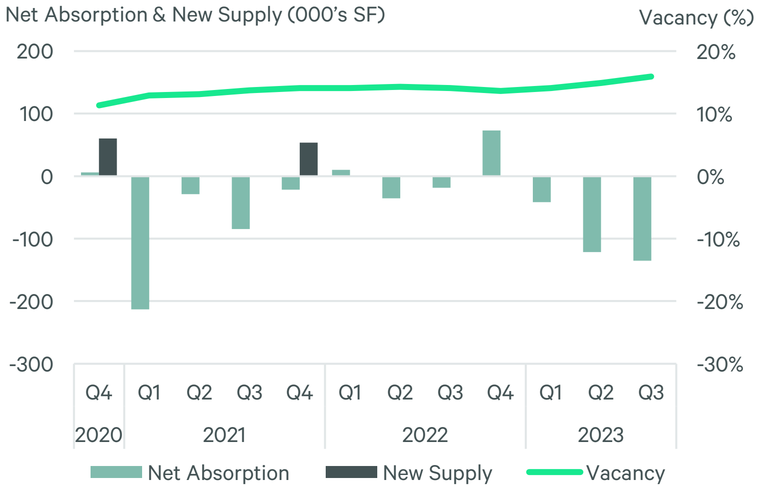


Winnipeg

The Winnipeg office market experienced a 100 bps increase in vacancy this quarter to 15.9%, driven primarily by Class B assets across both downtown and the suburbs. 333 Main St and 1000 Waverley St were key contributors to this increase as they each had significant space brought to market and now sit predominantly vacant.

MARKET STATS	DOWNTOWN	SUBURBAN	TOTAL	Q/Q
Net Rentable Area	10,260,125	4,045,296	14,305,421	◀▶
Overall Vacancy Rate	17.4%	12.0%	15.9%	▲
Direct Space	1,663,432	443,459	2,106,891	▲
Sublet Space	119,718	42,322	162,040	▼
Sublet % of Vacant	6.7%	8.7%	7.1%	▼
Class A Vacancy Rate	14.8%	N/A	14.8%	◀▶
Avg. Class A Net Rent (PSF)	$19.37	N/A	$19.37	▲
Quarter Net Absorption	-44,011	-91,525	-135,536	▼
Quarter New Supply	0	0	0	◀▶
Under Construction	300,000	14,234	314,234	◀▶

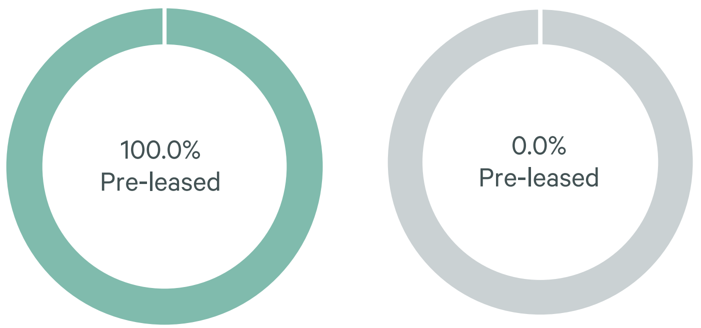
METRO SUPPLY & DEMAND



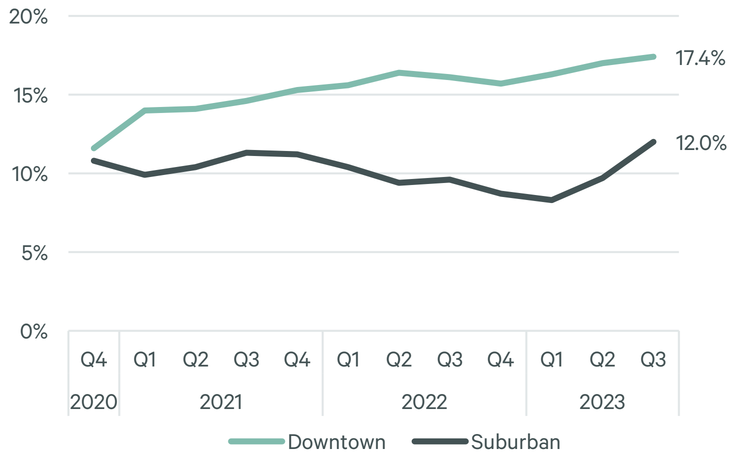
UNDER CONSTRUCTION

Downtown
0.3 MSF
2.9% of Inventory

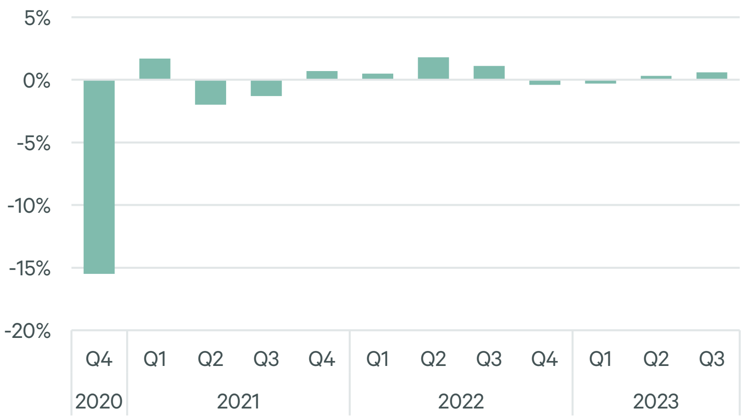
Suburban
14,000 SF
0.4% of Inventory



DOWNTOWN VS SUBURBAN VACANCY



METRO CLASS A RENT, Y-o-Y GROWTH

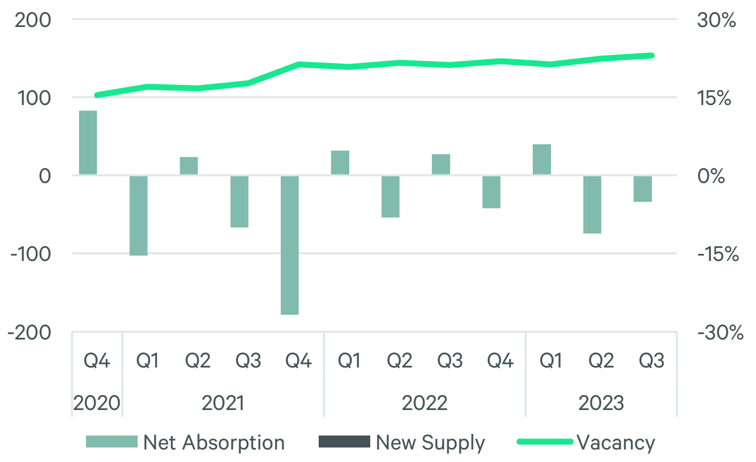


London

The much-anticipated final WSIB location will be announced soon. Plans to relocate their 600,000 sq. ft. Toronto head office to London made waves a year ago and regardless of whether it's located in the downtown core or suburbs, it will boost to the local economy and serve as a positive step in revitalizing London's ailing office market.

MARKET STATS	DOWNTOWN	SUBURBAN	TOTAL	Q/Q
Net Rentable Area	4,776,040	1,605,465	6,381,505	◀▶
Overall Vacancy Rate	27.3%	10.0%	23.0%	▲
Direct Space	1,206,726	157,047	1,363,773	▲
Sublet Space	97,100	3,900	101,000	▲
Sublet % of Vacant	7.4%	2.4%	6.9%	◀▶
Class A Vacancy Rate	16.8%	N/A	16.8%	▼
Avg. Class A Net Rent (PSF)	$14.72	N/A	$14.72	▲
Quarter Net Absorption	14,197	-48,287	-34,090	▲
Quarter New Supply	0	0	0	◀▶
Under Construction	0	0	0	◀▶

METRO SUPPLY & DEMAND

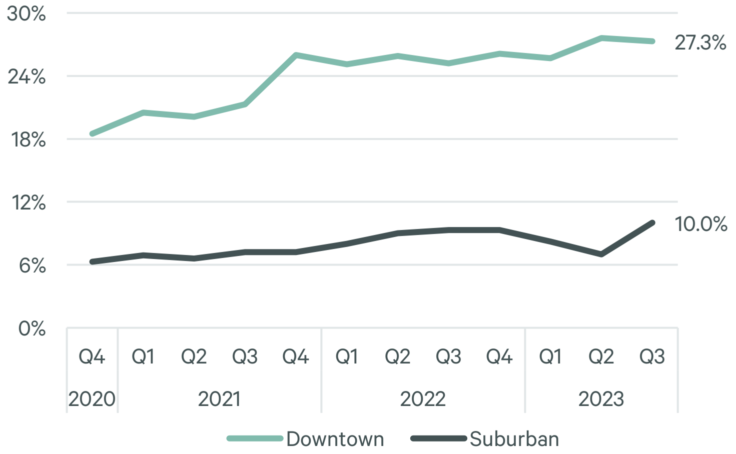


UNDER CONSTRUCTION

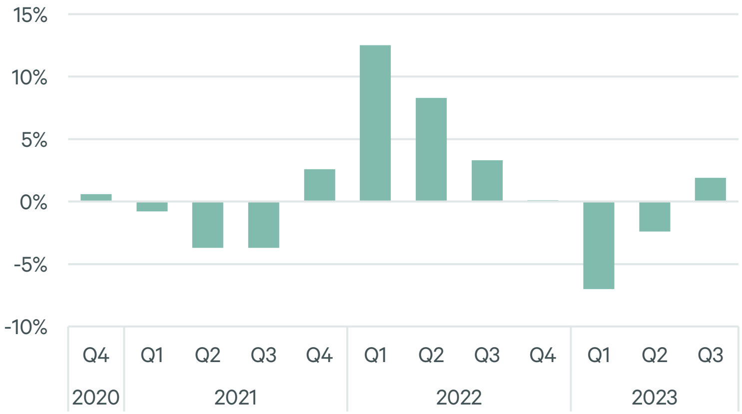
Downtown
0 MSF
0% of Inventory

Suburban
0 MSF
0% of Inventory

DOWNTOWN VS SUBURBAN VACANCY



METRO CLASS A RENT, Y-o-Y GROWTH

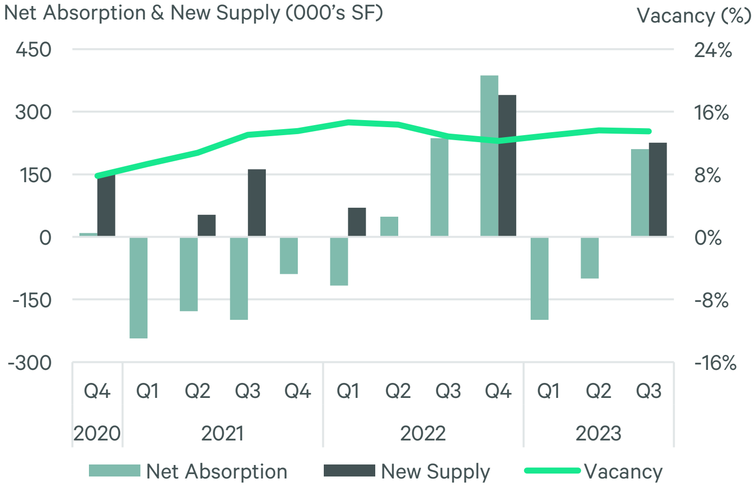


Waterloo Region

Completion of the 226,000 sq. ft. design build Co-operators building at 101 Cooper Dr resulted in the first quarter of positive net absorption across Waterloo Region this year. Other key metrics meanwhile, including vacancy and average net asking rents, remained largely unchanged as the market was relatively quiet over the quarter.

MARKET STATS	DOWNTOWN	SUBURBAN	TOTAL	Q/Q
Net Rentable Area	5,132,136	11,129,843	16,261,979	▲
Overall Vacancy Rate	21.6%	9.7%	13.5%	▼
Direct Space	1,027,417	794,294	1,821,711	▲
Sublet Space	83,387	290,561	373,948	▲
Sublet % of Vacant	7.5%	26.8%	17.0%	▲
Class A Vacancy Rate	21.3%	9.2%	12.6%	▼
Avg. Class A Net Rent (PSF)	$27.48	$16.99	$22.03	▼
Quarter Net Absorption	-7,265	217,383	210,118	▲
Quarter New Supply	0	226,000	226,000	▲
Under Construction	0	14,000	14,000	▼

METRO SUPPLY & DEMAND

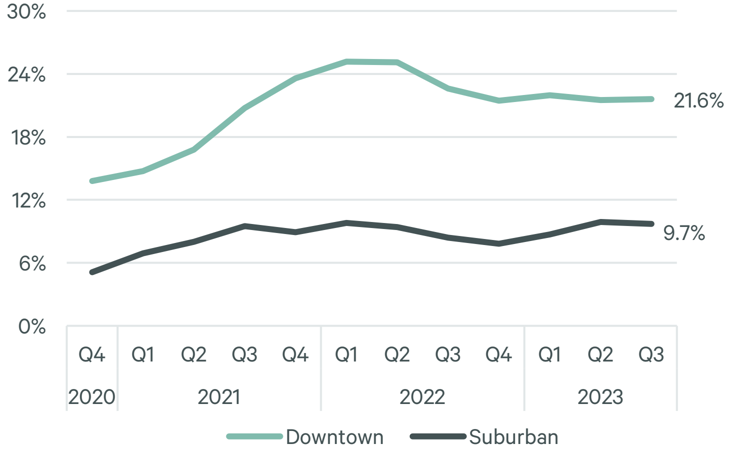


UNDER CONSTRUCTION

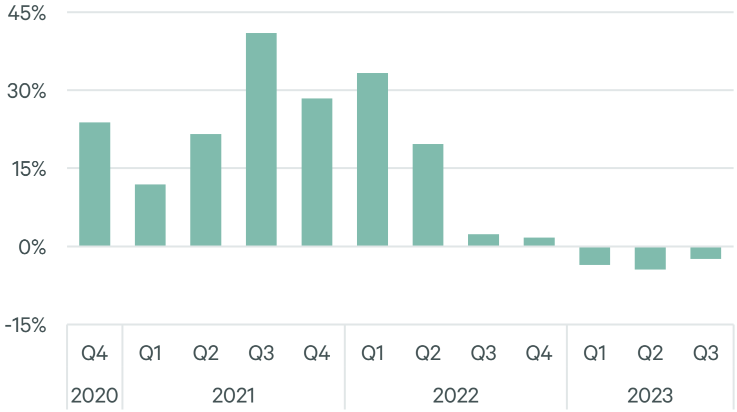
Downtown
0 MSF
0% of Inventory

Suburban
14,000 SF
0.1% of Inventory

DOWNTOWN VS SUBURBAN VACANCY



METRO CLASS A RENT, Y-o-Y GROWTH



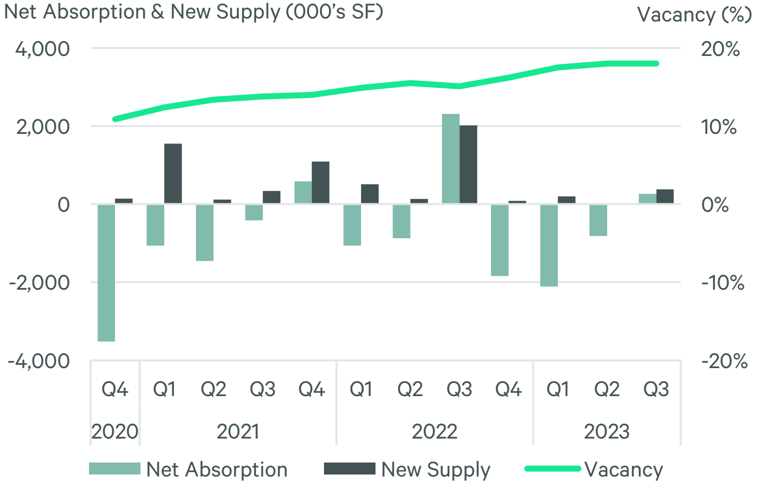
Toronto

The downtown office market experienced positive momentum this quarter due in part to FIRE and education tenants which drove transaction activity in the core, particularly among Class A assets. In light of economic conditions however, overall average net asking rents experienced further softening and decreased for a second consecutive quarter in Q3 2023.

MARKET STATS	DOWNTOWN	SUBURBAN	TOTAL	Q/Q
Net Rentable Area	94,254,038	77,446,659	171,700,697	▲
Overall Vacancy Rate	15.8%	20.6%	18.0%	◀▶
Direct Space	10,272,459	12,432,668	22,705,127	▼
Sublet Space	4,645,747	3,532,774	8,178,521	▲
Sublet % of Vacant	31.3%	22.1%	26.5%	▲
Class A Vacancy Rate	13.8%	23.9%	17.9%	▼
Avg. Class A Net Rent (PSF)	$35.62	$18.76	$28.76	▼
Quarter Net Absorption	314,411	-54,047	260,364	▲
Quarter New Supply	375,000	0	375,000	▲
Under Construction	5,170,293	710,606	5,880,899	▼

*Downtown is reflective of Central submarkets, inclusive of Midtown.

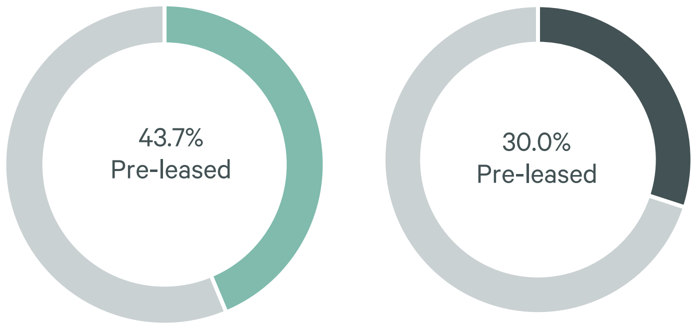
METRO SUPPLY & DEMAND



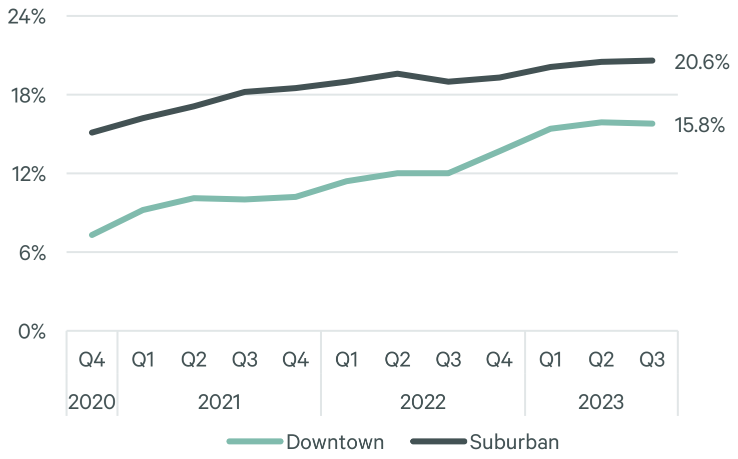
UNDER CONSTRUCTION

Downtown
5.2 MSF
5.5% of Inventory

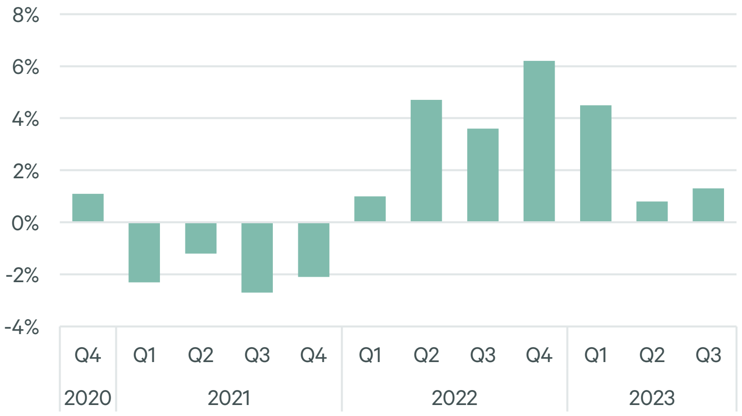
Suburban
0.7 MSF
0.9% of Inventory



DOWNTOWN VS SUBURBAN VACANCY



METRO CLASS A RENT, Y-o-Y GROWTH



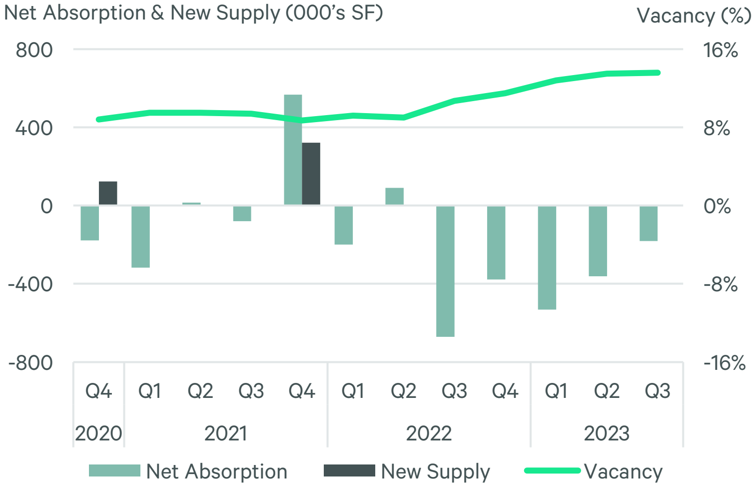
Ottawa

Vacancy edged higher in Ottawa due to large spaces emerging from CMHC's campus in the East; pockets of positive activity meanwhile were recorded in the CBD and Kanata. The market observed the noteworthy sale of two downtown office buildings this quarter, 360 Laurier Ave and 130 Slater Ave, with planned office-to-residential conversions.

MARKET STATS	DOWNTOWN	SUBURBAN	TOTAL	Q/Q
Net Rentable Area	18,433,046	22,726,071	41,159,117	▼
Overall Vacancy Rate	14.2%	13.1%	13.6%	▲
Direct Space	2,256,209	2,382,530	4,638,739	▲
Sublet Space	363,473	588,085	951,558	▼
Sublet % of Vacant	13.9%	19.8%	17.0%	▼
Class A Vacancy Rate	11.1%	12.9%	12.1%	▼
Avg. Class A Net Rent (PSF)	$22.85	$15.83	$18.77	▼
Quarter Net Absorption	-9,712	-171,639	-181,351	▲
Quarter New Supply	0	0	0	◀▶
Under Construction	61,888	0	61,888	◀▶

*Downtown is reflective of Central submarkets, inclusive of CBD and surrounding region.

METRO SUPPLY & DEMAND

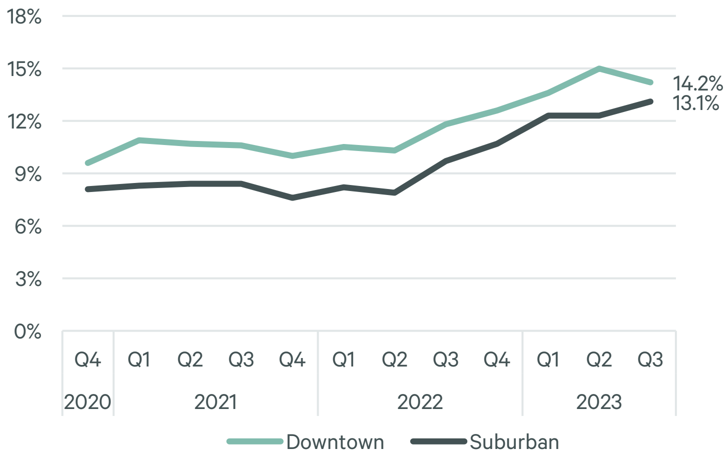


UNDER CONSTRUCTION

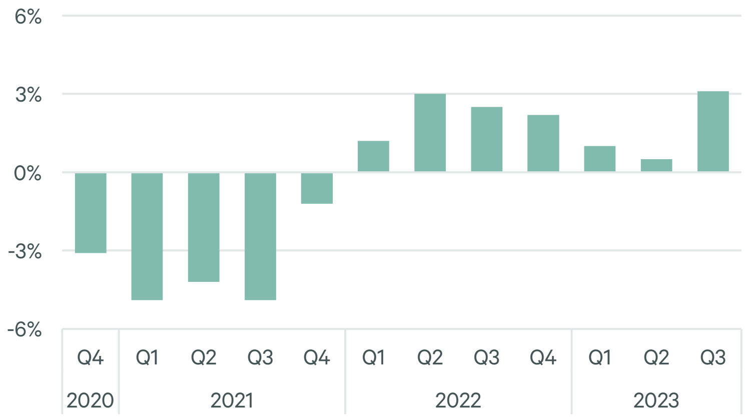
Downtown
0.1 SF
0.3% of Inventory

Suburban
0 MSF
0% of Inventory

DOWNTOWN VS SUBURBAN VACANCY



METRO CLASS A RENT, Y-o-Y GROWTH

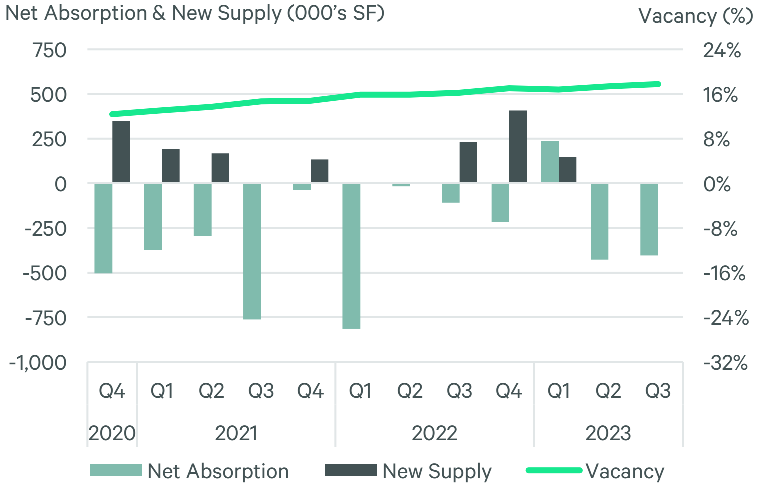


Montreal

Montreal's office vacancy increased a further 40 bps from the previous quarter, now reaching 17.8%. Tenant downsizing and flight-to-quality movements continue to shape the market; renewals meanwhile are playing an equally important role as landlords eager to retain tenants are presenting enticing incentive packages in order to do so.

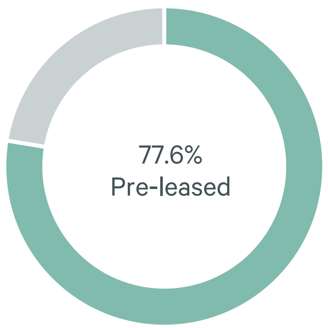
MARKET STATS	DOWNTOWN	SUBURBAN	TOTAL	Q/Q
Net Rentable Area	45,588,748	32,475,466	78,064,214	▲
Overall Vacancy Rate	17.4%	18.3%	17.8%	▲
Direct Space	6,637,552	5,151,790	11,789,342	▲
Sublet Space	1,303,406	786,811	2,090,217	▼
Sublet % of Vacant	16.4%	13.2%	15.1%	▼
Class A Vacancy Rate	14.5%	16.4%	15.2%	▼
Avg. Class A Net Rent (PSF)	$25.60	$17.38	$22.24	▼
Quarter Net Absorption	-184,809	-219,510	-404,319	▲
Quarter New Supply	0	0	0	◀▶
Under Construction	1,555,907	470,000	2,025,907	◀▶

METRO SUPPLY & DEMAND

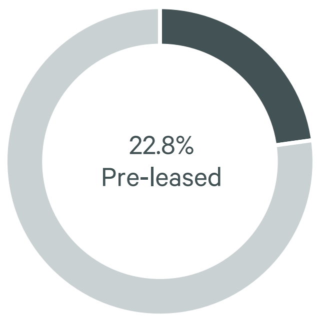


UNDER CONSTRUCTION

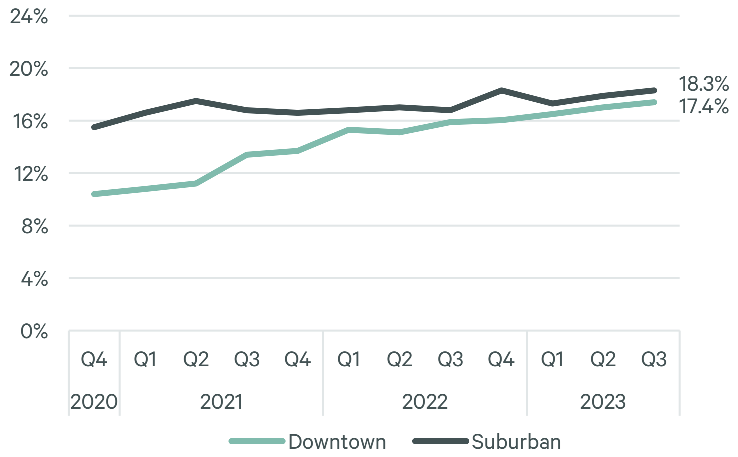
Downtown
1.6 MSF
3.4% of Inventory



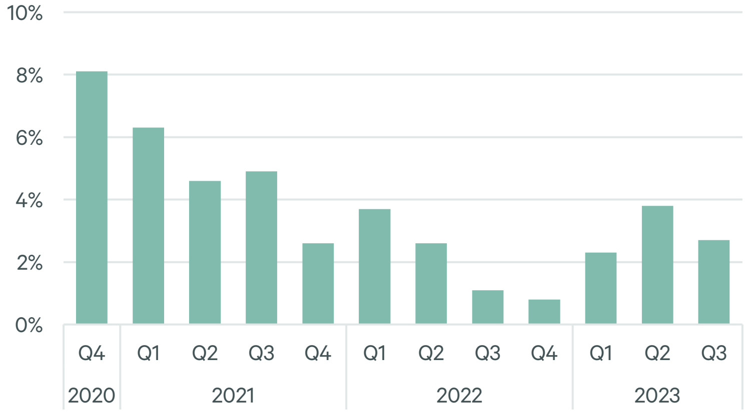
Suburban
0.5 MSF
1.4% of Inventory



DOWNTOWN VS SUBURBAN VACANCY



METRO CLASS A RENT, Y-o-Y GROWTH

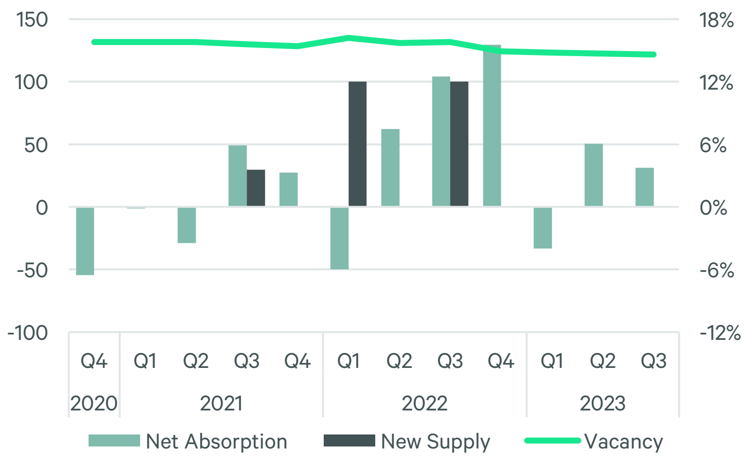


Halifax

Subleases have risen for a third consecutive quarter and now represent 9.1% of vacancy, the highest observed in the last five years. Driven by work-from-home initiatives and cost containment strategies, select industries, including call centres and the tech sector, have started shedding space. The Halifax office market remained resilient however as overall vacancy decreased for a fourth consecutive quarter.

MARKET STATS	DOWNTOWN	SUBURBAN	TOTAL	Q/Q
Net Rentable Area	5,305,465	7,748,338	13,053,803	▼
Overall Vacancy Rate	18.5%	11.8%	14.6%	▼
Direct Space	932,986	793,567	1,726,553	▼
Sublet Space	50,834	122,230	173,064	▲
Sublet % of Vacant	5.2%	13.3%	9.1%	▲
Class A Vacancy Rate	21.7%	16.0%	18.9%	▼
Avg. Class A Net Rent (PSF)	$19.01	$16.75	$18.13	▲
Quarter Net Absorption	-8,788	40,021	31,233	▼
Quarter New Supply	0	0	0	◀▶
Under Construction	0	81,000	81,000	◀▶

METRO SUPPLY & DEMAND

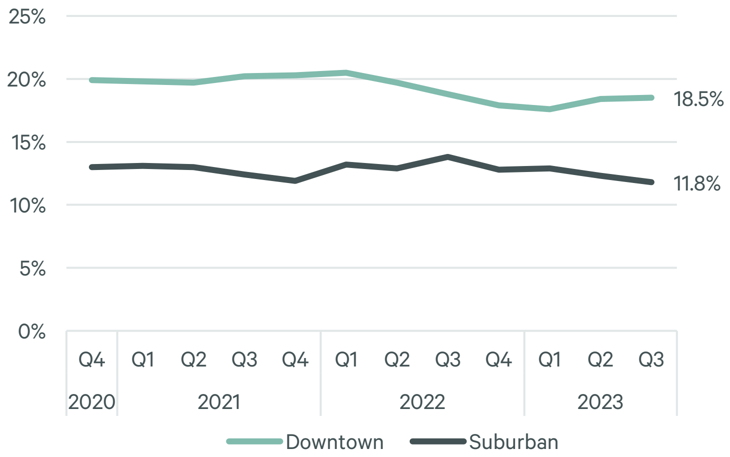


UNDER CONSTRUCTION

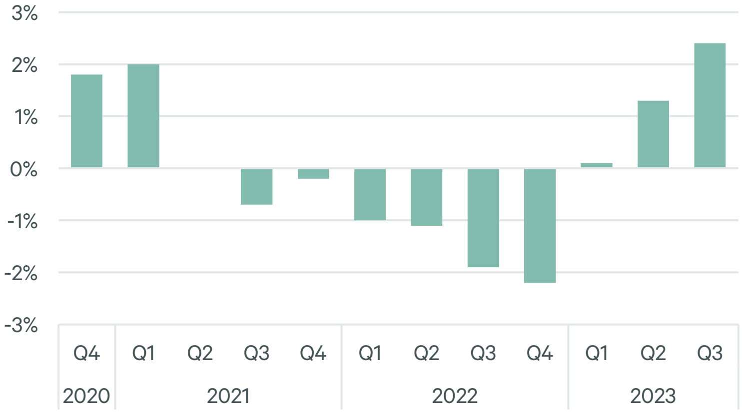
Downtown
0 MSF
0% of Inventory

Suburban
0.1 MSF
1.0% of Inventory

DOWNTOWN VS SUBURBAN VACANCY



METRO CLASS A RENT, Y-o-Y GROWTH



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