Greatest office gains being seen in Alberta, B.C. and Eastern Canada while remaining markets grapple with muted activity

▲ 18.3%
Vacancy Rate

▲ -259K
SF Net Absorption

▼ 10.9M
SF Under Construction

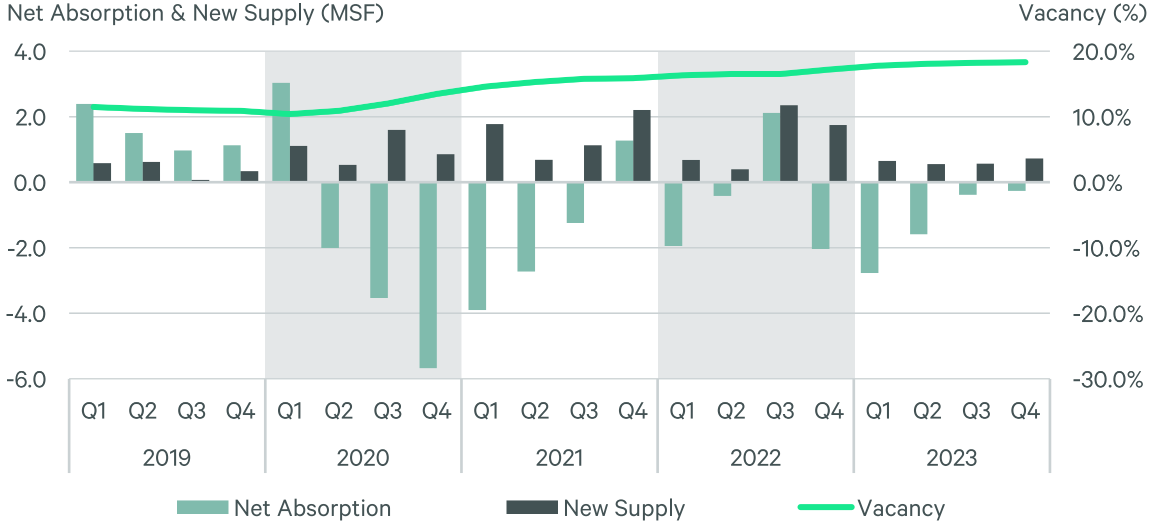
▼ $25.35
PSF Average Class A Net Rent

Note: Arrows indicate change from previous quarter.

Executive Summary

- The Alberta markets continue to undergo market recovery with Calgary posting three consecutive quarters of positive net absorption, Edmonton with two. They were joined this quarter in positive territory by Vancouver and Ottawa as well as Halifax, which has reported seven consecutive quarters of positive net absorption.
- Demand for best-in-class properties has remained strong, placing predominantly Class B product at a disadvantage. A growing number of underutilized properties thusly are being repurposed into other residential and other uses and totaled 2.5 million sq. ft. in 2023.
- Sublease space has decreased for a second consecutive quarter to its lowest reported level in 2023. Eight of 10 markets have sublease levels that total for less than 3.0% of inventory.
- The office development pipeline continues to lighten with no meaningful office construction starts. Project delivery timelines have stretched throughout 2023 nearly 70% of the active pipeline now due for delivery in 2024.

FIGURE 1: National Office Supply & Demand



Source: CBRE Research, Q4 2023.

Five markets capped off 2023 with gains at year-end

- National absorption remained in negative territory at year-end as 2023 reached a total 5.0 million sq. ft. of negative net absorption. If looking at the annual quarterly average, 2023 came out just behind 2022.

- The pace of activity has continued to inch its way toward positive territory with progressively less negative absorption being posted nationally each quarter.

- The Alberta markets continue to undergo market recovery with Calgary posting three consecutive quarters of positive net absorption, Edmonton with two. They were joined this quarter in positive territory by Vancouver, Ottawa and Halifax. While on a smaller scale, Halifax has posted seven consecutive quarters of positive net absorption.

- Amongst the five markets posting negative net absorption, Toronto faced the largest headwinds due to an uncertain economic outlook. Usually a boost to activity, the 625,000 sq. ft. of new supply delivered this quarter had no positive impact as it was delivered mostly vacant. Excluding Toronto, national net absorption would have been positive.

FIGURE 2: Historical National Net Absorption (MSF)

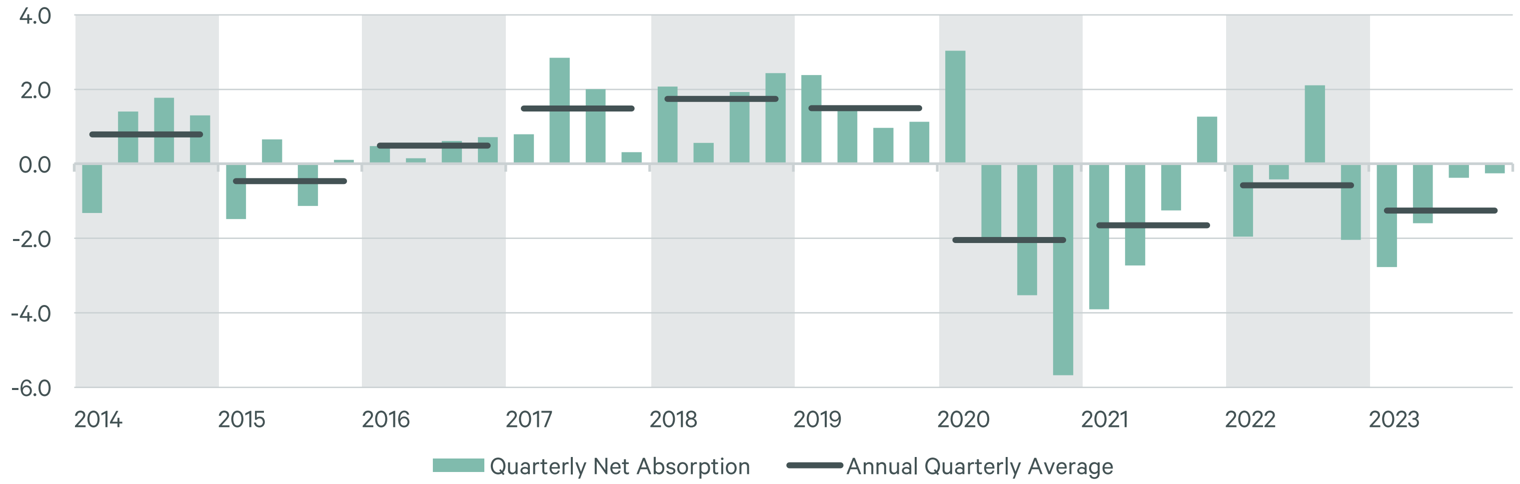
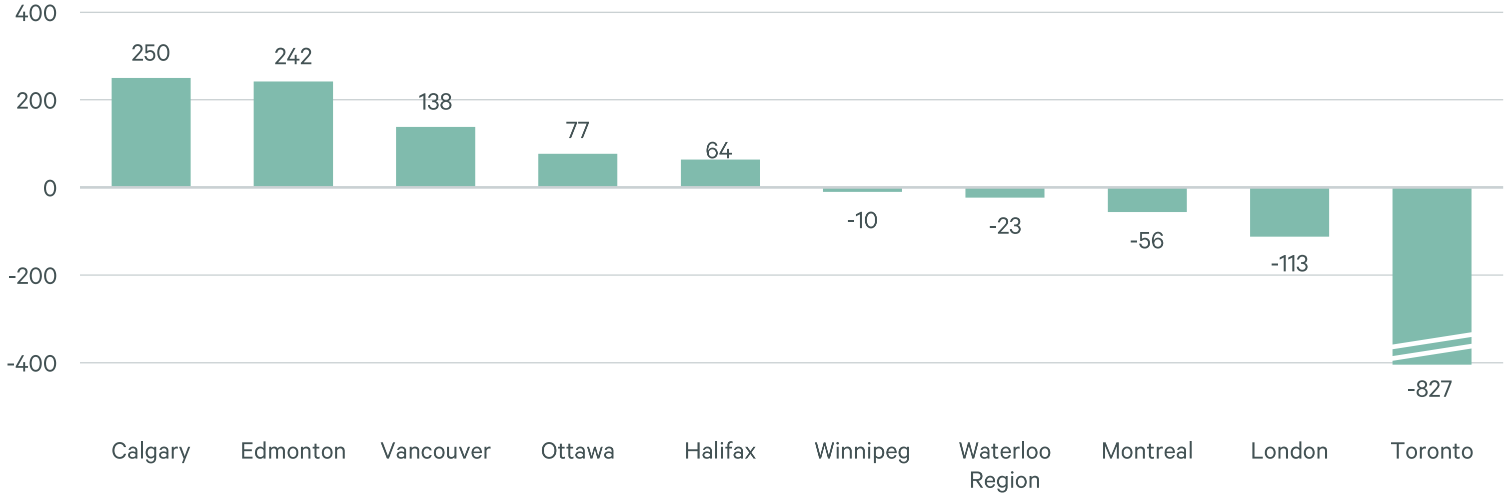


FIGURE 3: Current Quarter Net Absorption by Market (000's SF)



Source: CBRE Research, Q4 2023.

Rising vacancy despite modest suburban improvement

- National office vacancy increased by an additional 10 basis points (bps) this quarter, ending the year at 18.3%. On a year-over-year basis, the overall vacancy rate is currently 110 bps higher than year-end 2022, with most of the increase occurring in the first half of this year.
- Overall, four markets reported improvement across both their downtown and suburbs: Calgary, Edmonton, Ottawa and Halifax.
- The delta between downtown and suburban product is at its widest point yet with suburban vacancy 250 bps below the downtown rate. The suburbs posted a modest recovery this quarter of -30 bps while downtown vacancy increased +50 bps.
- This quarter saw the most widespread suburban market improvements with eight cities reporting declining vacancy. The largest among them included Winnipeg (-110 bps), Edmonton (-90 bps), and Montreal (-70 bps).
- Downtown markets have struggled as of late, with five cities posting rising vacancy, the largest took place in Ontario: Toronto (+160 bps), London (+130 bps), and Waterloo Region (+120 bps). Toronto's rise was the result of slowing leasing and mostly vacant new supply.

FIGURE 4: National Downtown vs Suburban Vacancy Rate

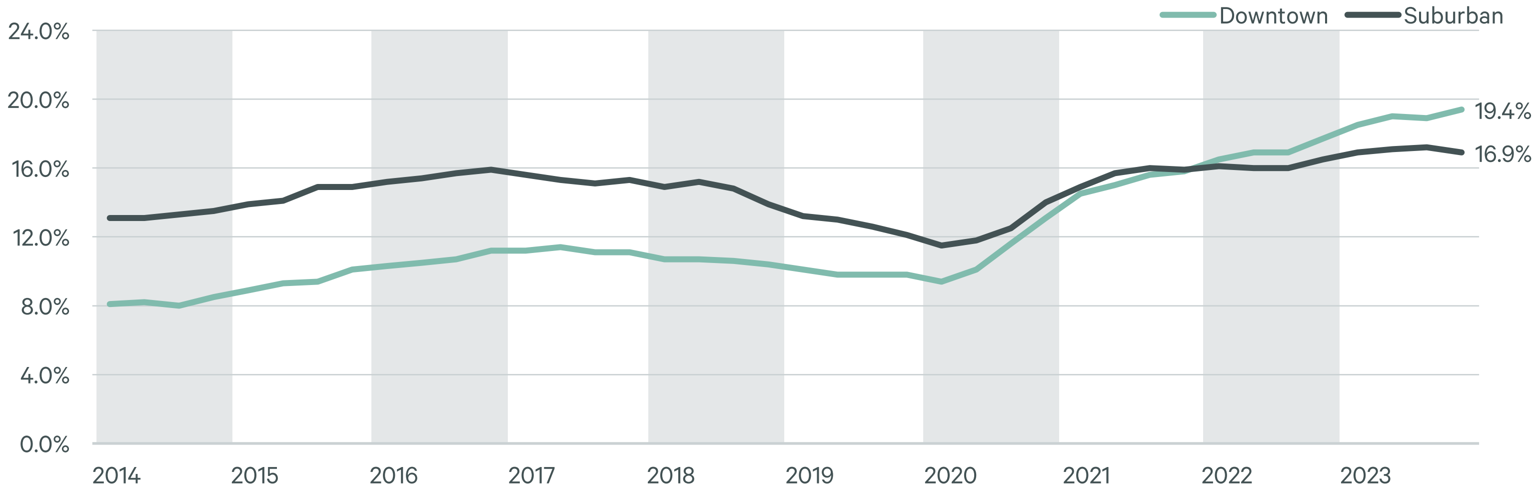
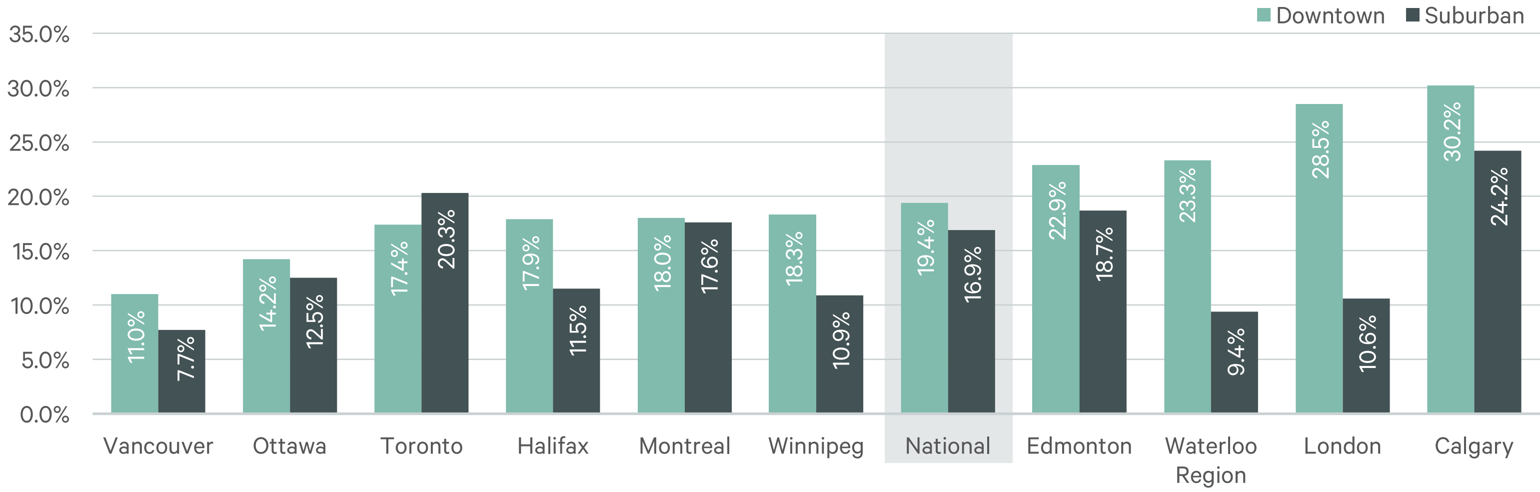


FIGURE 5: Downtown vs Suburban Vacancy by Market



Source: CBRE Research, Q4 2023.

Bifurcation of office space in sharp focus with Downtown B falling behind

- Downtown Class B vacancy has continued to rise, putting into sharp focus that demand for cheap commodity space has evaporated. Instead, tenant demand has and will continue to focus on spaces that act as conductors for business productivity and development.

- Conversely, several markets noted the greatest positive gains within their Class A product. This includes the downtown markets of Edmonton (-120 bps), Vancouver (-70 bps), Calgary (-40 bps), and Halifax (-10 bps).

- Rental rates have held relatively stable across nearly all product types nationally on a three-year basis with nearly all noting slight increases. While suburban Class A and downtown Class B are now similarly priced, suburban product is so far coming out ahead as vacancy continues to decline within this segment.

FIGURE 6: National Vacancy by Segment – Class A vs. B

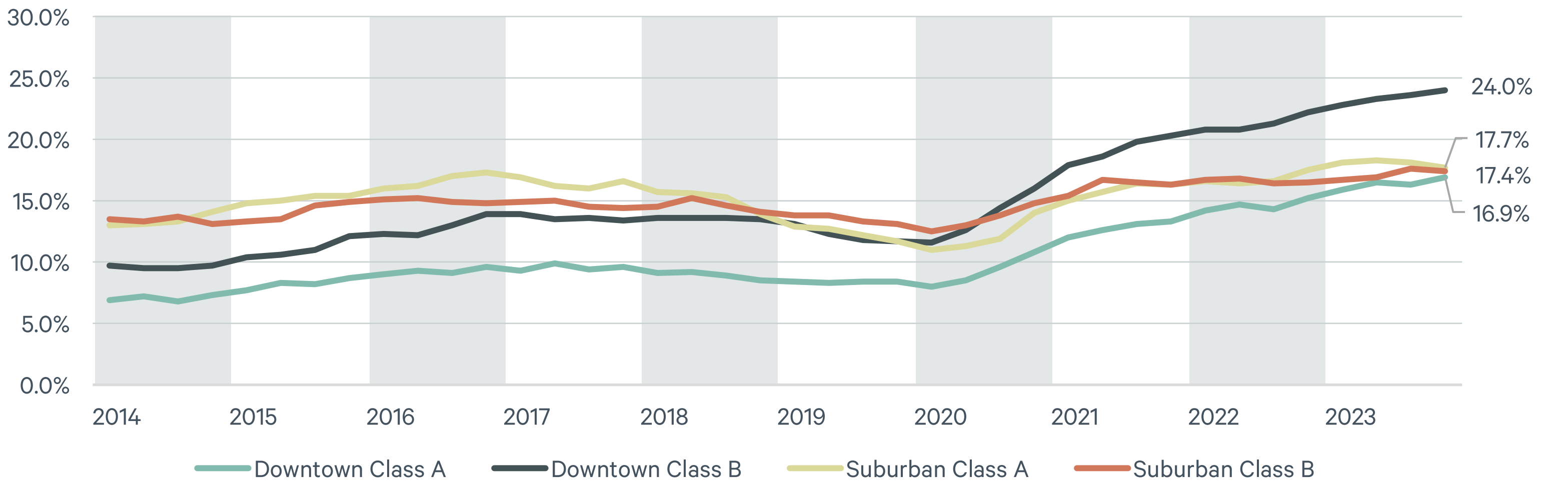
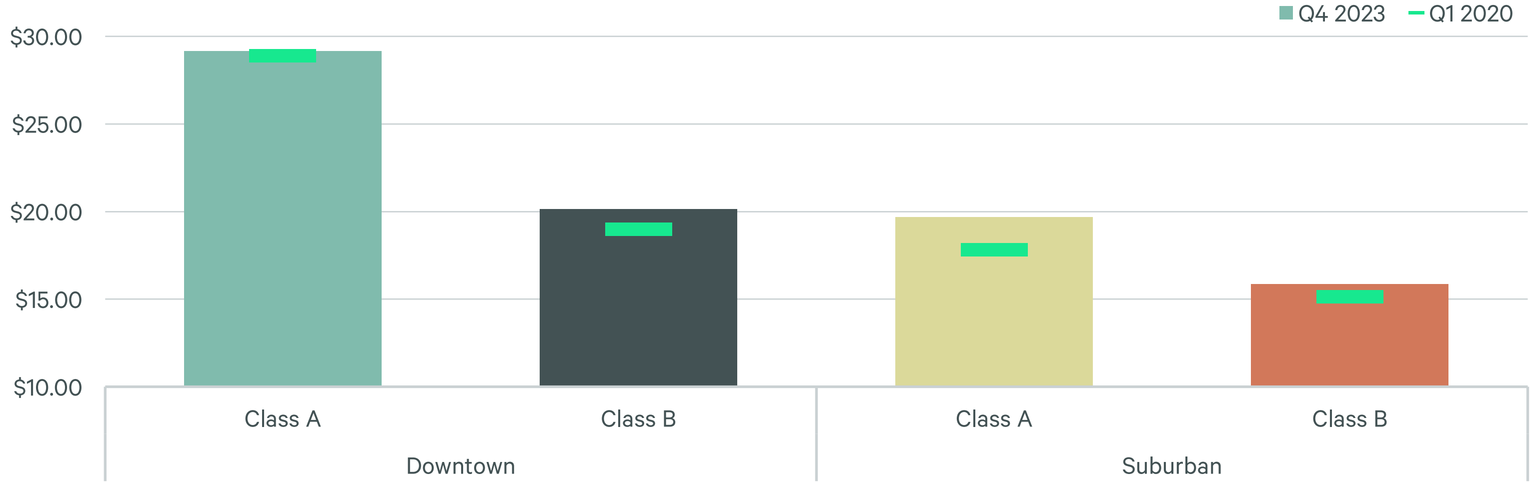


FIGURE 7: National Net Asking Rent by Segment (PSF) – Class A vs. B



Source: CBRE Research, Q4 2023.

Office towers increasingly being repurposed

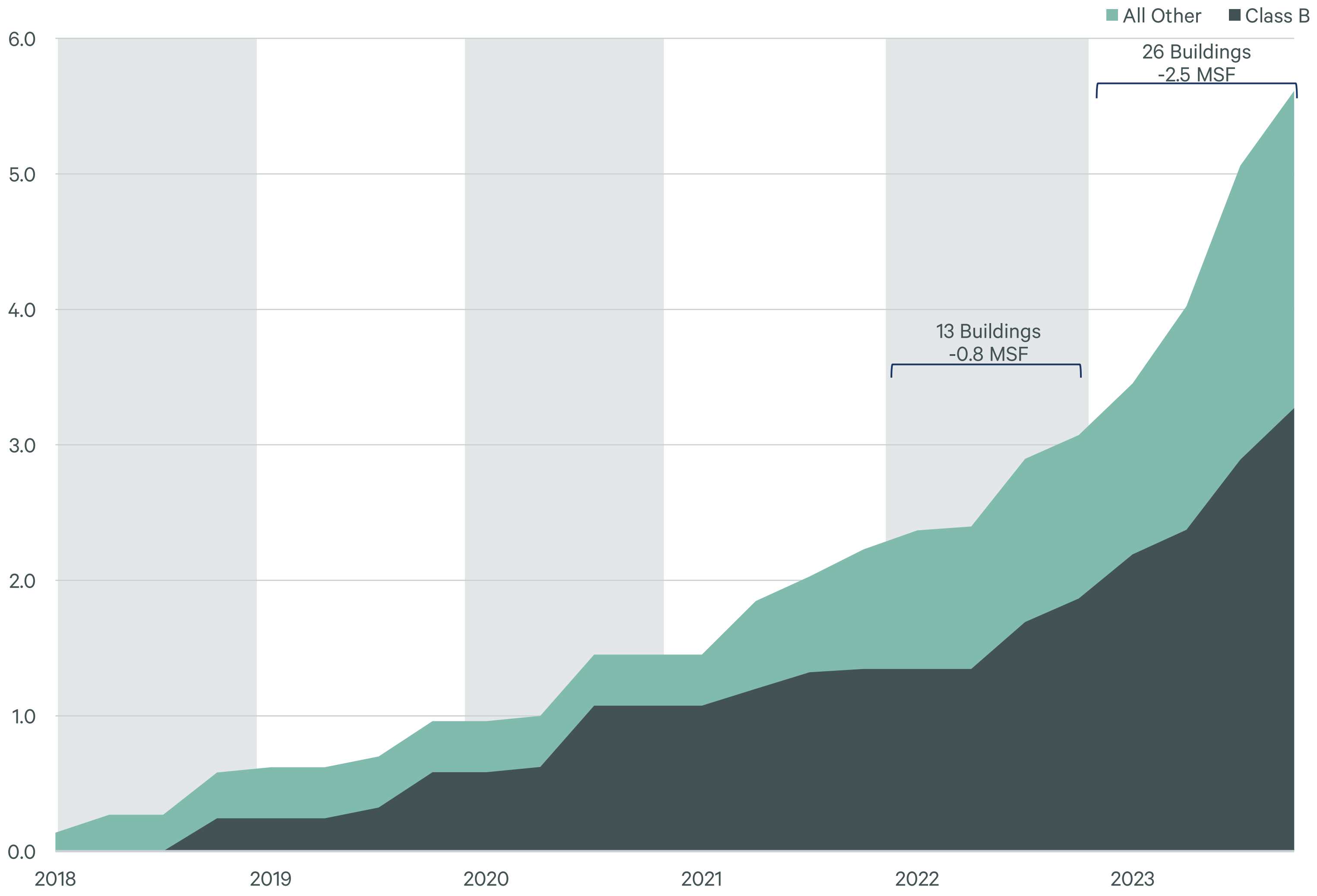
- Repurposing of office properties has been on the rise since 2021 and 2023 was the largest year yet with a cumulative 2.5 million sq. ft. of competitive office space. Equal to 0.5% of total inventory, this space is most often being replaced with residential properties.

- Today's vacancy rate environment provides tenants with a greater number of options, and with tenants favouring high-quality spaces, it has become increasingly attractive for older, less competitive buildings to be converted into other uses. In fact, the majority of the inventory repurposed in 2023 tended to have been considered Class B and had an average build year of 1972.

- However, feasible projects are limited due to several factors including physical requirements, zoning and financial viability, and while certainly providing some relief, will not be a silver bullet to solving for elevated office vacancy.

- Government incentives often play a role in making these complex projects potentially financially viable. In Calgary, the City's Downtown Development Incentive Program provides incentives of up to $75.00 per sq. ft.

FIGURE 8: Cumulative Sum of Repurposed Office Buildings Removed from Inventory (MSF)



Source: CBRE Research, Q4 2023.

Sublet offerings declined for a second quarter to lowest level in 2023

- Sublease space has decreased for a second consecutive quarter to its lowest reported level in 2023 and currently accounts for 17.7% of vacancy or 3.2% of inventory. Eight of 10 markets have sublease levels that total for less than 3.0% of inventory.
- Markets with the largest quarterly decreases in sublet offerings on a square foot basis included Toronto, Edmonton, Vancouver and Calgary.
- On a year-over-year basis, most markets remain elevated however, with six cities seeing sublet space as a percent of inventory increase, most notably in Winnipeg (+120 bps).
- Generally, tenants are focused on rightsizing and placing an emphasis on best-in-class turnkey solutions. In many cases, tenants have also continued to reclaim space where their return to office mandates have become more clear.

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

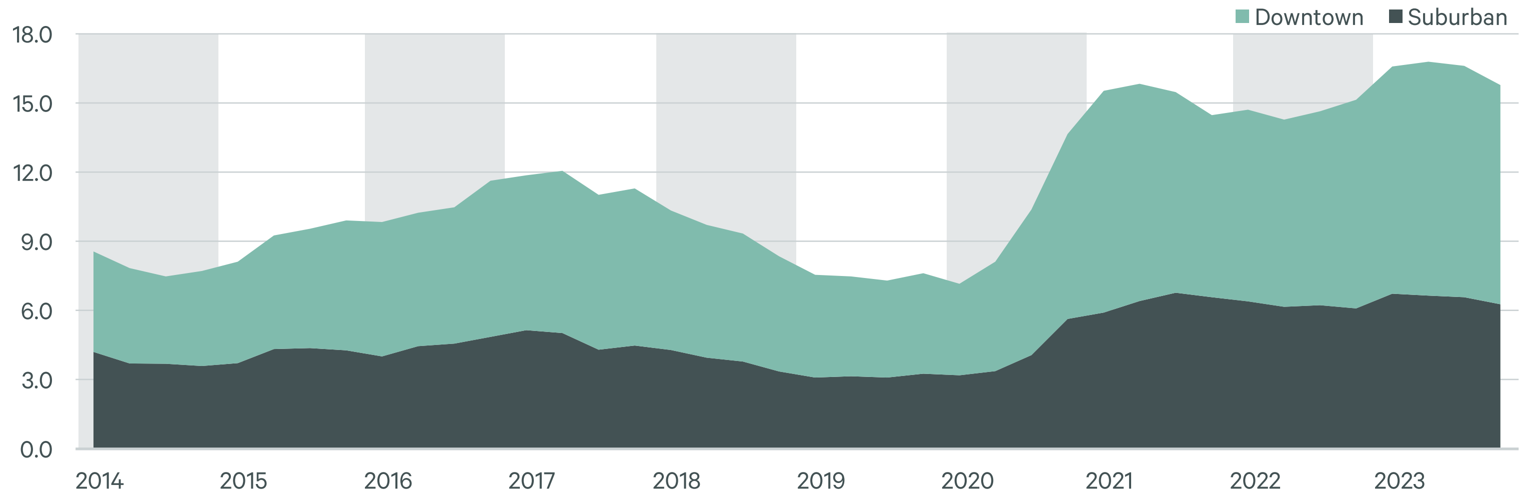
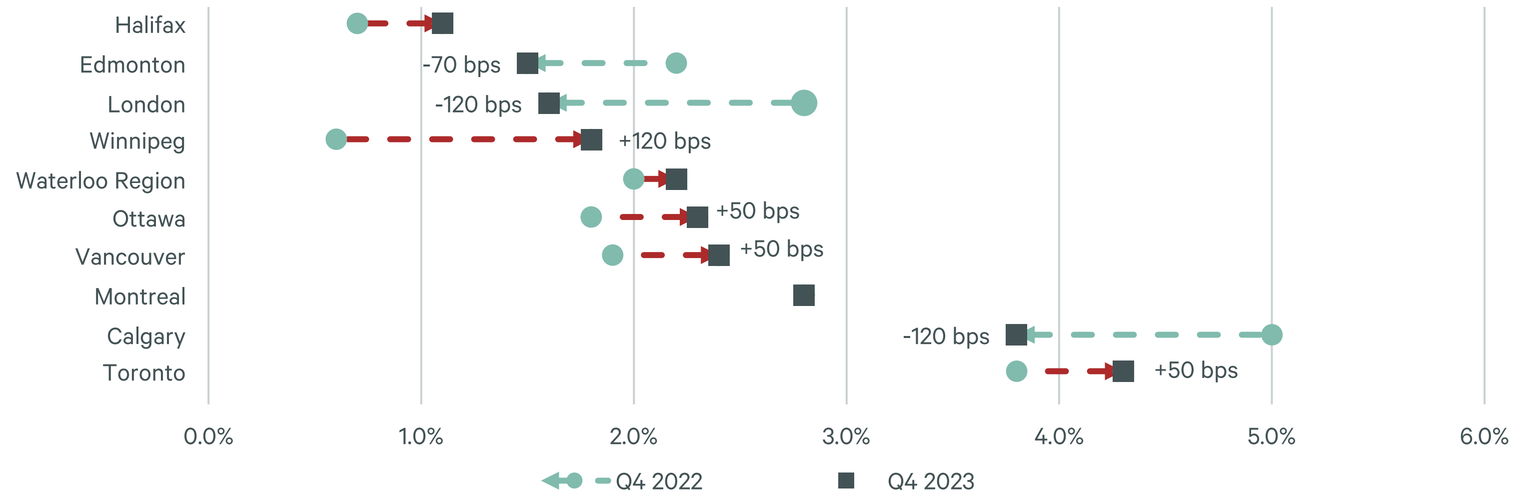


FIGURE 10: Year-over-Year Change in Sublet Space as a % of Inventory by Market



Source: CBRE Research, Q4 2023.

Construction pipeline at six year low

- The office development pipeline continues to lighten with 10.9 million sq. ft. under construction nationally. Equal to 2.2% of inventory, this product is currently 54.4% pre-leased. This is the lowest construction total since Q3 2017.
- Project delivery timelines have stretched throughout the year, with many now in the final stages and anticipated for delivery in early 2024. This includes 160 Front St W in Toronto and the National Bank Tower in Montreal, both of which are over 1.0 million sq. ft.
- Toronto, which represents nearly half of active construction, has lowered to 5.0 million sq. ft. for the first time since 2017 when the latest development cycle kicked-off.
- Reserved levels of construction are taking place elsewhere in Canada with six markets reporting less than 200,000 sq. ft. of activity. This includes Edmonton and London where no projects have moved out of the planning stages in several years.
- Looking ahead, nearly 70% of the active pipeline is due for delivery in 2024 and is currently 65.9% pre-leased.

FIGURE 11: National Office Inventory Under Construction (MSF)

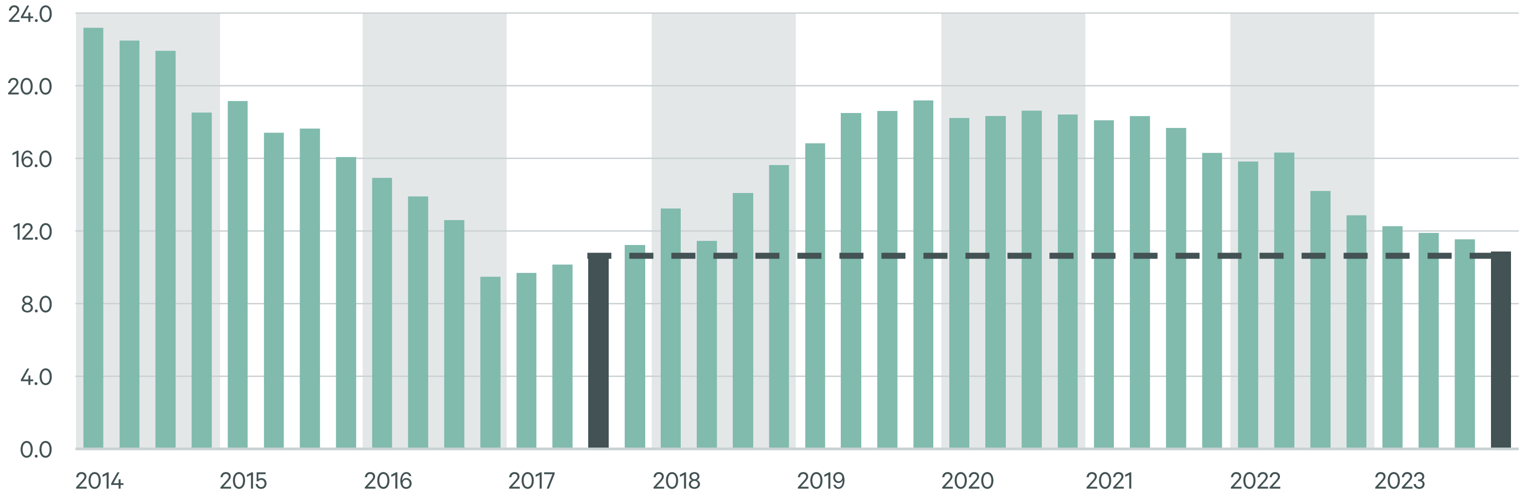
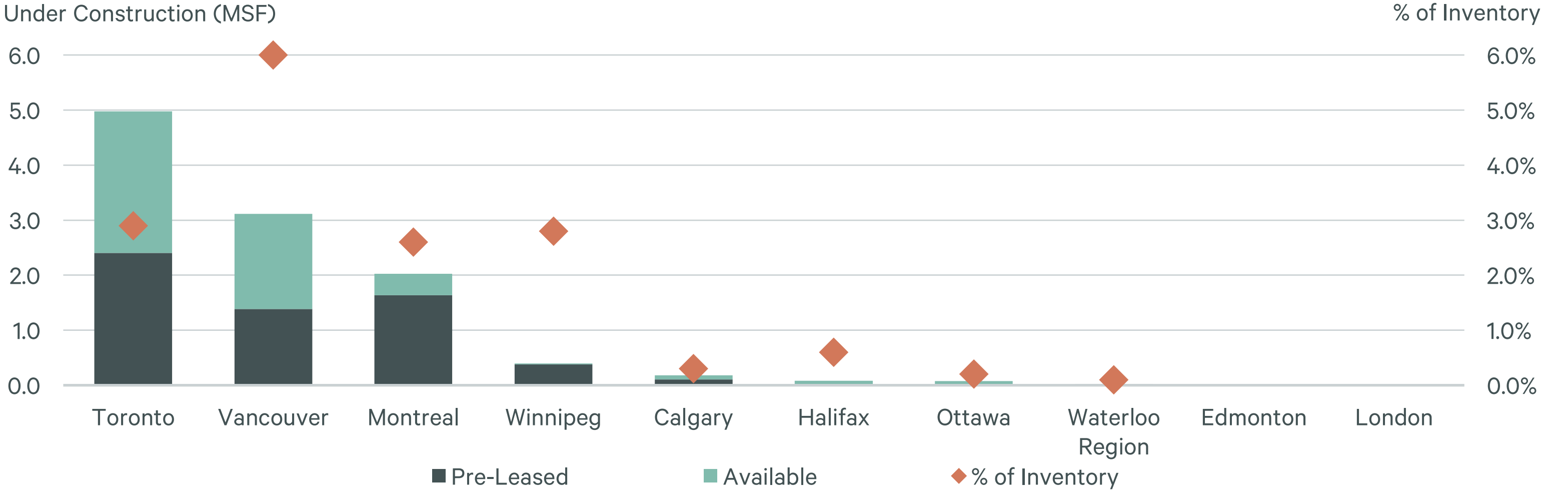


FIGURE 12: Under Construction by Market



Source: CBRE Research, Q4 2023.

Alleviating pipeline a result of increasingly few starts

- Increasingly few new office developments are moving forward with a single project in suburban Ottawa the only to do so this quarter. This trend is expected to continue in the year ahead, which will further aid in alleviating the supply pipeline. In total, only 784,000 sq. ft. of office product started work in 2023 – this is just under half of the amount seen in 2022 and just over 10% of the amount seen in 2018.
- 721,000 sq. ft. of new supply delivered this quarter bringing the annual total to 2.5 million sq. ft. These were predominantly downtown, which is the inverse to the few projects that have commenced in 2023, where all but two were located in the suburbs.
- Toronto delivered the majority of product over the course of 2023, including T3 Bayside and T3 Sterling this quarter. These mass timber buildings are the latest of their kind in Canada.
- Of the projects slated for delivery in 2024, approximately one quarter commenced prior to 2020.

FIGURE 13: National Office Construction Starts (MSF)

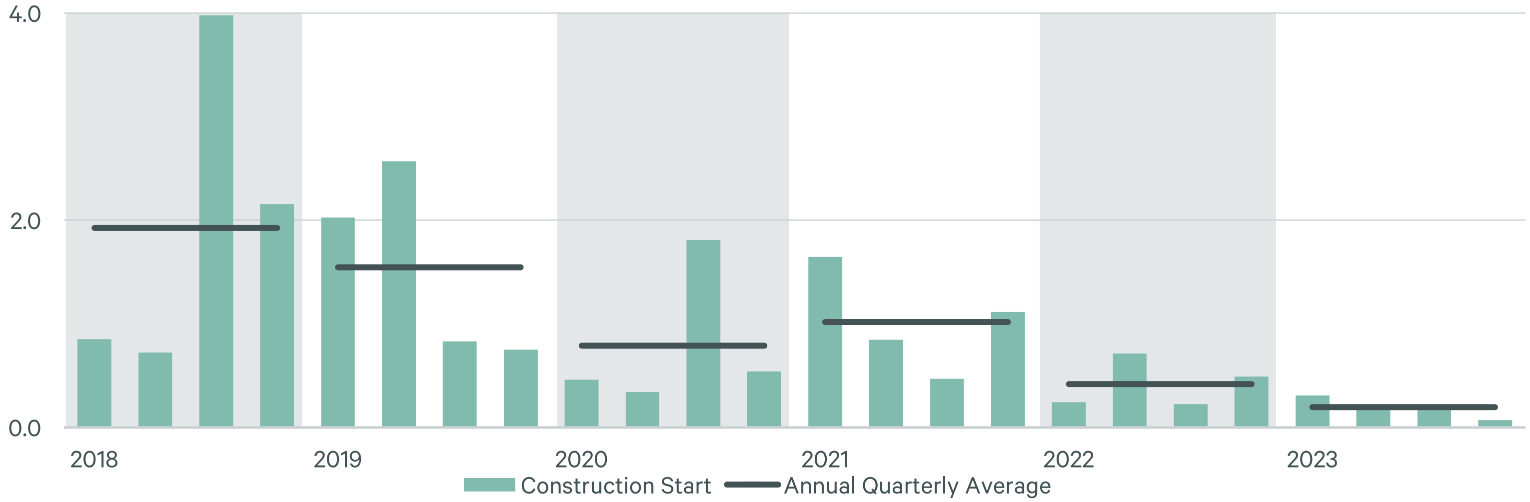
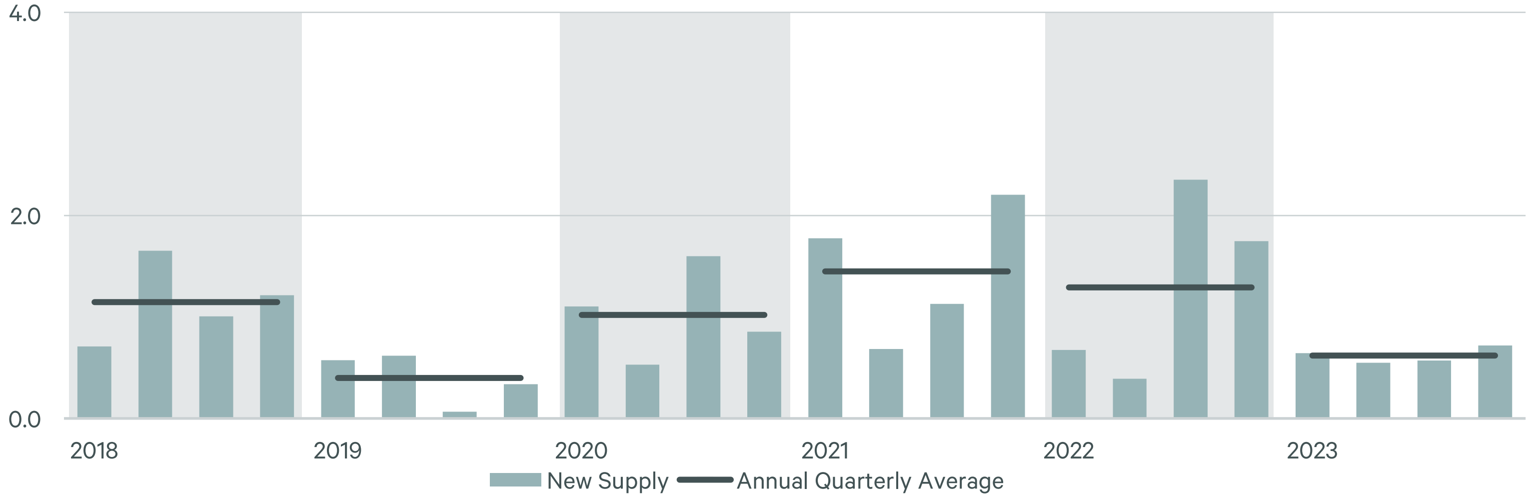
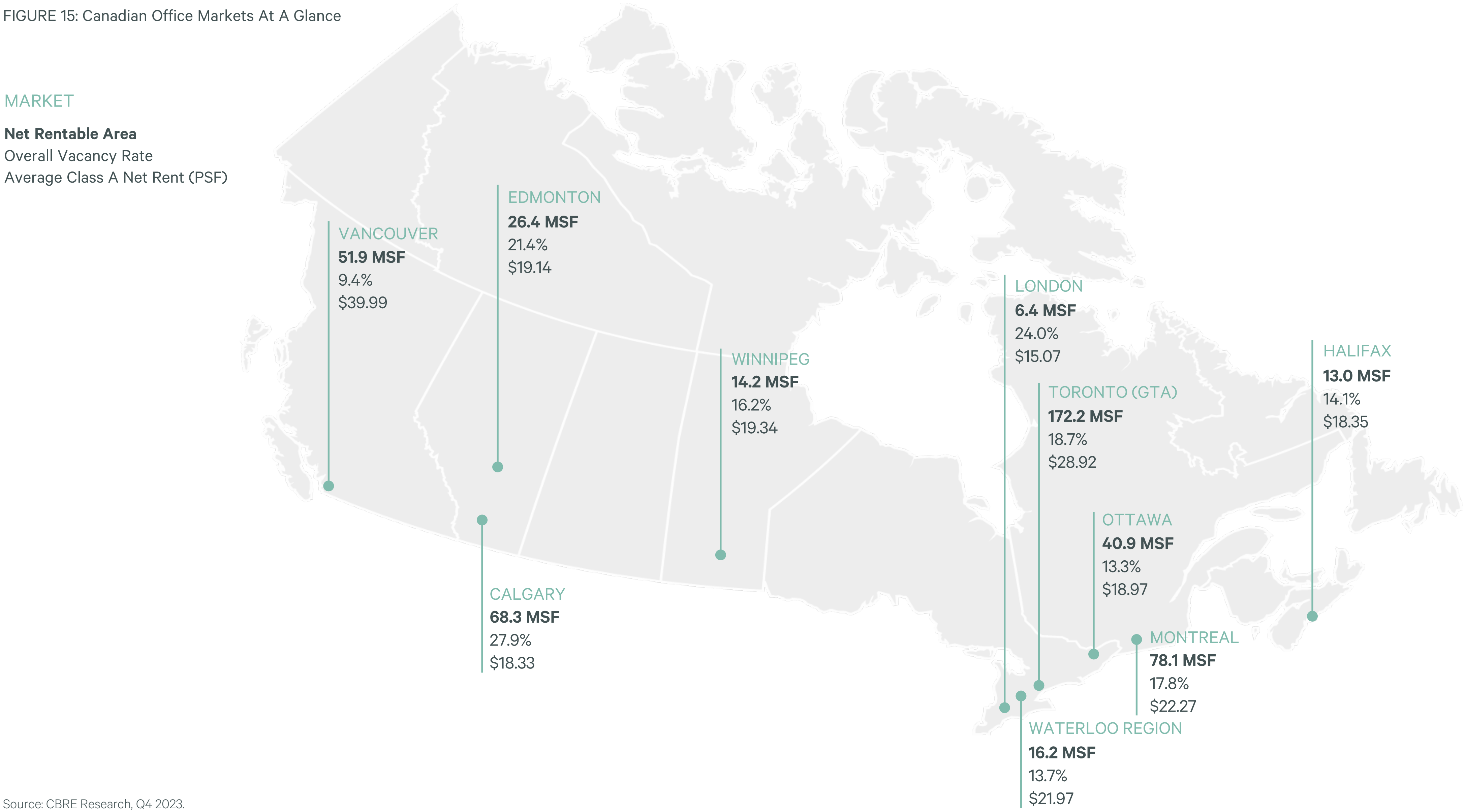


FIGURE 14: National Office New Supply Deliveries (MSF)



Source: CBRE Research, Q4 2023.

FIGURE 15: Canadian Office Markets At A Glance



Source: CBRE Research, Q4 2023.

FIGURE 16: Canadian Office Markets Statistics, Q4 2023

DOWNTOWN	VANCOUVER	CALGARY	EDMONTON	WINNIPEG	LONDON	WATERLOO	TORONTO	OTTAWA	MONTREAL	HALIFAX	NATIONAL
Net Rentable Area	26,643,241	42,082,140	16,439,891	10,122,371	4,801,976	5,025,065	94,935,091	18,300,582	45,605,148	5,298,465	269,253,970
Overall Vacancy Rate	11.0%	30.2%	22.9%	18.3%	28.5%	23.3%	17.4%	14.2%	18.0%	17.9%	19.4%
Direct Space	2,187,545	10,677,902	3,539,707	1,625,429	1,269,161	1,082,392	12,286,937	2,217,972	6,805,909	905,521	42,598,475
Sublet Space	744,496	2,024,786	232,678	227,405	97,100	89,439	4,271,543	376,504	1,399,491	40,760	9,504,202
Sublet % of Vacant Space	25.4%	15.9%	6.2%	12.3%	7.1%	7.6%	25.8%	14.5%	17.1%	4.3%	18.2%
Class A Vacancy Rate	10.3%	25.0%	21.0%	15.5%	18.1%	24.6%	15.4%	11.6%	15.5%	21.6%	16.9%
Average Class A Net Rent (PSF)	$47.08	$17.73	$19.34	$19.34	$15.07	$27.14	$35.72	$23.18	$25.23	$19.16	$29.17
Quarter Net Absorption	212,495	213,341	158,160	-55,056	-105,631	-61,027	-1,018,918	-56,207	-264,442	37,539	-939,746
Year-to-Date Net Absorption	291,843	414,713	-34,224	-205,920	-162,262	-144,979	-2,725,280	-589,860	-821,986	1,628	-3,976,327
Quarter New Supply	0	0	0	0	0	0	624,550	61,867	0	0	686,417
Year-to-Date New Supply	752,942	0	0	0	0	0	1,116,913	61,867	147,000	0	2,078,722
Under Construction	1,153,561	0	0	380,000	0	0	4,300,391	0	1,555,907	0	7,389,859
SUBURBAN											
Net Rentable Area	25,212,495	26,230,038	9,921,850	4,045,296	1,579,529	11,129,843	77,239,380	22,640,294	32,475,466	7,730,338	218,204,529
Overall Vacancy Rate	7.7%	24.2%	18.7%	10.9%	10.6%	9.4%	20.3%	12.5%	17.6%	11.5%	16.9%
Direct Space	1,414,499	5,754,341	1,707,124	416,360	161,151	776,838	12,484,163	2,264,656	4,922,954	793,211	30,695,297
Sublet Space	517,690	600,249	152,266	24,580	6,752	269,944	3,217,331	571,861	807,421	96,567	6,264,661
Sublet % of Vacant Space	26.8%	9.4%	8.2%	5.6%	4.0%	25.8%	20.5%	20.2%	14.1%	10.9%	16.9%
Class A Vacancy Rate	7.6%	21.6%	15.1%	N/A	N/A	8.7%	23.4%	12.9%	15.2%	17.1%	17.7%
Average Class A Net Rent (PSF)	$29.87	$19.60	$18.38	N/A	N/A	$16.85	$18.92	$15.81	$17.30	$17.16	$19.69
Quarter Net Absorption	-74,381	36,424	83,559	44,841	-6,956	38,073	192,377	132,748	208,226	26,019	680,930
Year-to-Date Net Absorption	-394,609	262,600	205,397	-95,550	-19,188	33,806	-849,846	-457,173	171,066	110,358	-1,033,139
Quarter New Supply	34,527	0	0	0	0	0	0	0	0	0	34,527
Year-to-Date New Supply	127,720	0	0	0	0	226,000	55,000	0	0	0	408,720
Under Construction	1,959,407	177,446	0	14,234	0	19,600	678,856	72,000	470,000	81,000	3,472,543
TOTAL											
Net Rentable Area	51,855,736	68,312,178	26,361,741	14,167,667	6,381,505	16,154,908	172,174,471	40,940,876	78,080,614	13,028,803	487,458,499
Overall Vacancy Rate	9.4%	27.9%	21.4%	16.2%	24.0%	13.7%	18.7%	13.3%	17.8%	14.1%	18.3%
Direct Space	3,602,044	16,432,243	5,246,831	2,041,789	1,430,312	1,859,230	24,771,100	4,482,628	11,728,863	1,698,732	73,293,772
Sublet Space	1,262,186	2,625,035	384,944	251,985	103,852	359,383	7,488,874	948,365	2,206,912	137,327	15,768,863
Sublet % of Vacant Space	25.9%	13.8%	6.8%	11.0%	6.8%	16.2%	23.2%	17.5%	15.8%	7.5%	17.7%
Class A Vacancy Rate	9.0%	23.9%	19.4%	15.5%	18.1%	13.0%	18.6%	12.4%	15.3%	19.4%	17.2%
Average Class A Net Rent (PSF)	$39.99	$18.33	$19.14	$19.34	$15.07	$21.97	$28.92	$18.97	$22.27	$18.35	$25.35
Quarter Net Absorption	138,114	249,765	241,719	-10,215	-112,587	-22,954	-826,541	76,541	-56,216	63,558	-258,816
Year-to-Date Net Absorption	-102,766	677,313	171,173	-301,470	-181,450	-111,173	-3,575,126	-1,047,033	-650,920	111,986	-5,009,466
Quarter New Supply	34,527	0	0	0	0	0	624,550	61,867	0	0	720,944
Year-to-Date New Supply	880,662	0	0	0	0	226,000	1,171,913	61,867	147,000	0	2,487,442
Under Construction	3,112,968	177,446	0	394,234	0	19,600	4,979,247	72,000	2,025,907	81,000	10,862,402

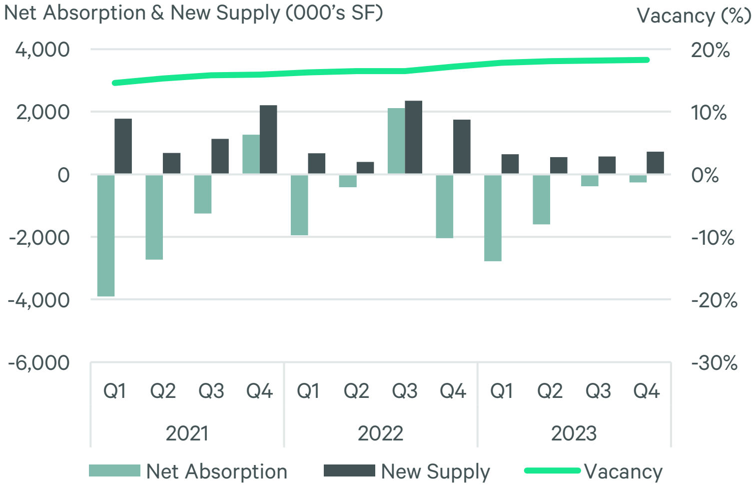
Source: CBRE Research, Q4 2023.

Canada

The national office market ended the year with rising vacancy driven despite posting a modest improvement in the suburbs. Looking ahead, a lightening supply pipeline should aid in moving the market towards recovery. With increasingly fewer projects commencing, tenants will work their way through existing product.

MARKET STATS	DOWNTOWN	SUBURBAN	TOTAL	Q/Q
Net Rentable Area	269,253,970	218,204,529	487,458,499	▲
Overall Vacancy Rate	19.4%	16.9%	18.3%	▲
Direct Space	42,598,475	30,695,297	73,293,772	▲
Sublet Space	9,504,202	6,264,661	15,768,863	▼
Sublet % of Vacant	18.2%	16.9%	17.7%	▼
Class A Vacancy Rate	16.9%	17.7%	17.2%	▲
Avg. Class A Net Rent (PSF)	$29.17	$19.69	$25.35	▼
Quarter Net Absorption	-939,746	680,930	-258,816	▲
Quarter New Supply	686,417	34,527	720,944	▲
Under Construction	7,389,859	3,472,543	10,862,402	▼

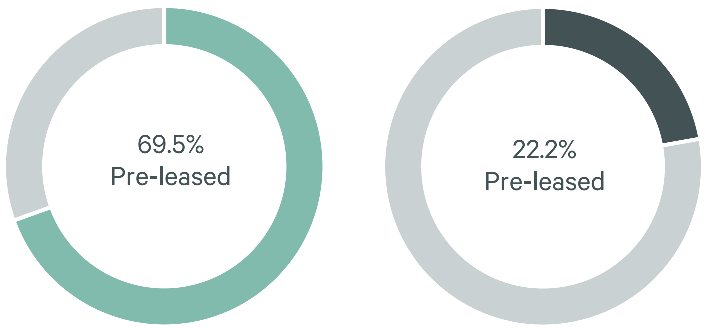
METRO SUPPLY & DEMAND



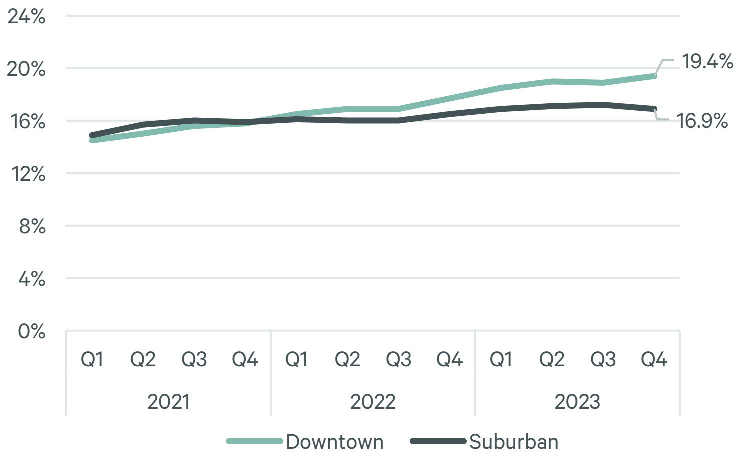
UNDER CONSTRUCTION

Downtown
7.4 MSF
2.7% of Inventory

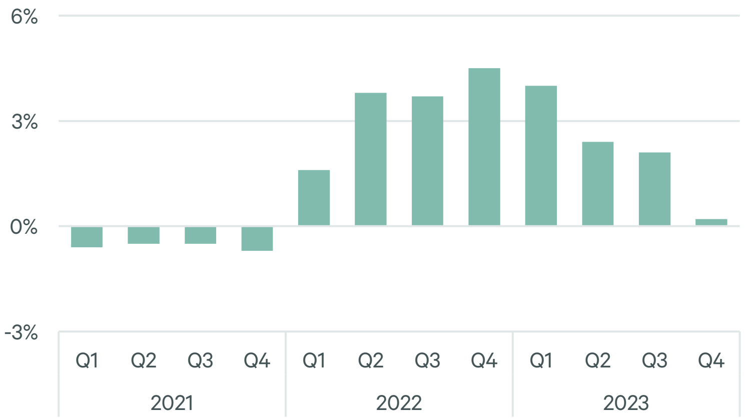
Suburban
3.5 MSF
1.6% of Inventory



DOWNTOWN VS SUBURBAN VACANCY



METRO CLASS A RENT, Y-o-Y GROWTH

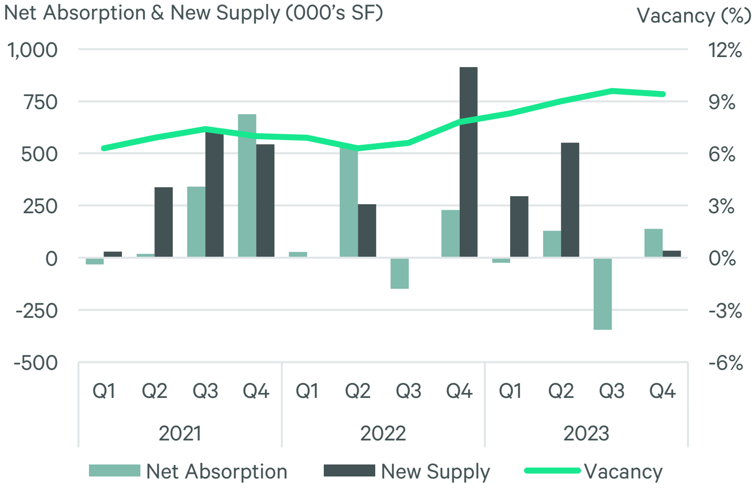


Vancouver

The year culminated in 292,000 sq. ft. of positive net absorption downtown, with 212,000 sq. ft. taking place in the fourth quarter. Overall downtown vacancy noted an 80 bps decline to 11.0% due to the execution of numerous full floor leases in Class A inventory. Look for a continued gradual rebound of the office market as no construction commencements are expected over the next few years.

MARKET STATS	DOWNTOWN	SUBURBAN	TOTAL	Q/Q
Net Rentable Area	26,643,241	25,212,495	51,855,736	▲
Overall Vacancy Rate	11.0%	7.7%	9.4%	▼
Direct Space	2,187,545	1,414,499	3,602,044	▼
Sublet Space	744,496	517,690	1,262,186	▼
Sublet % of Vacant	25.4%	26.8%	25.9%	▼
Class A Vacancy Rate	10.3%	7.6%	9.0%	▼
Avg. Class A Net Rent (PSF)	$47.08	$29.87	$39.99	▼
Quarter Net Absorption	212,495	-74,381	138,114	▲
Quarter New Supply	0	34,527	34,527	▲
Under Construction	1,153,561	1,959,407	3,112,968	▼

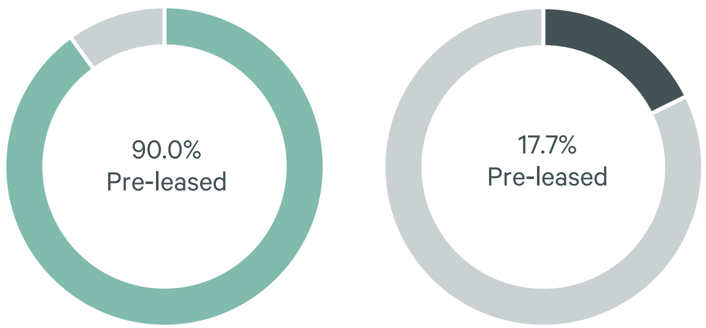
METRO SUPPLY & DEMAND



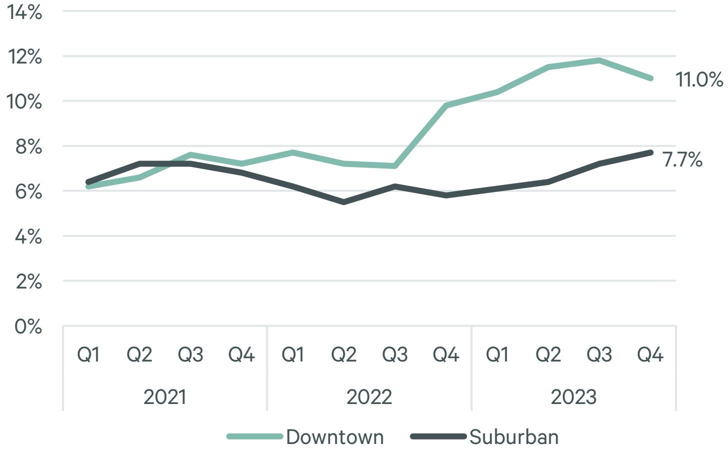
UNDER CONSTRUCTION

Downtown
1.2 MSF
4.3% of Inventory

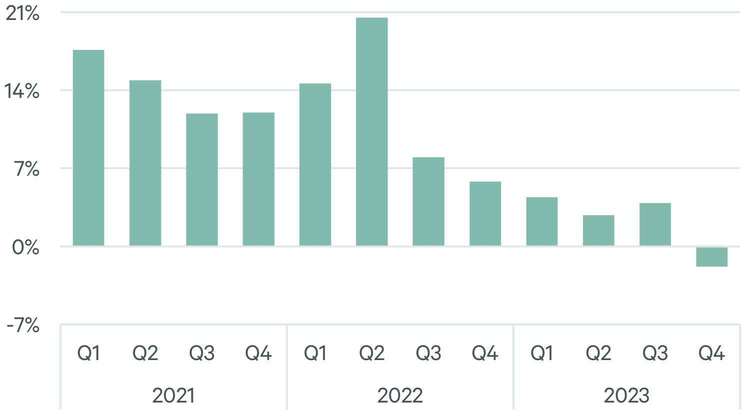
Suburban
2.0 MSF
7.8% of Inventory



DOWNTOWN VS SUBURBAN VACANCY



METRO CLASS A RENT, Y-o-Y GROWTH

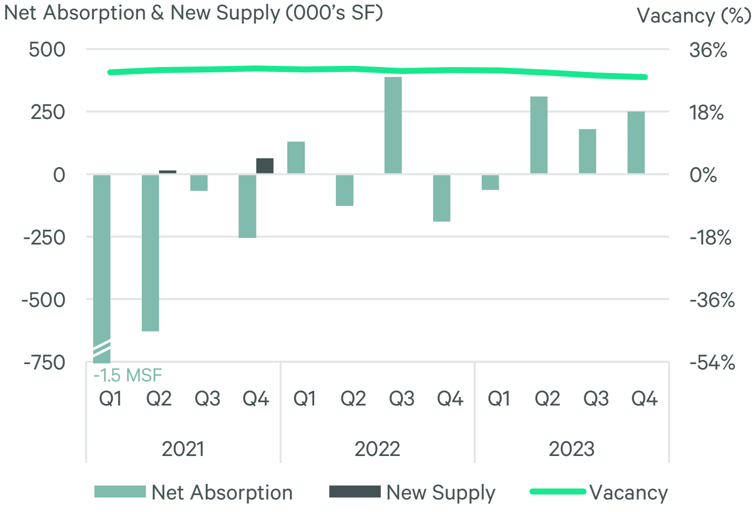


Calgary

Posting three consecutive quarters of positive momentum, the Calgary office market ended the year with a cumulative 677,000 sq. ft. of positive net absorption, the market's strongest performance since 2014. Primary demand growth drivers included a slight resurgence of the energy sector, sublease spaces being reclaimed by tenants, as well as purchases by owner-users.

MARKET STATS	DOWNTOWN	SUBURBAN	TOTAL	Q/Q
Net Rentable Area	42,082,140	26,230,038	68,312,178	▼
Overall Vacancy Rate	30.2%	24.2%	27.9%	▼
Direct Space	10,677,902	5,754,341	16,432,243	▼
Sublet Space	2,024,786	600,249	2,625,035	▼
Sublet % of Vacant	15.9%	9.4%	13.8%	◀▶
Class A Vacancy Rate	25.0%	21.6%	23.9%	▼
Avg. Class A Net Rent (PSF)	$17.73	$19.60	$18.33	▲
Quarter Net Absorption	213,341	36,424	249,765	▲
Quarter New Supply	0	0	0	◀▶
Under Construction	0	177,446	177,446	◀▶

METRO SUPPLY & DEMAND

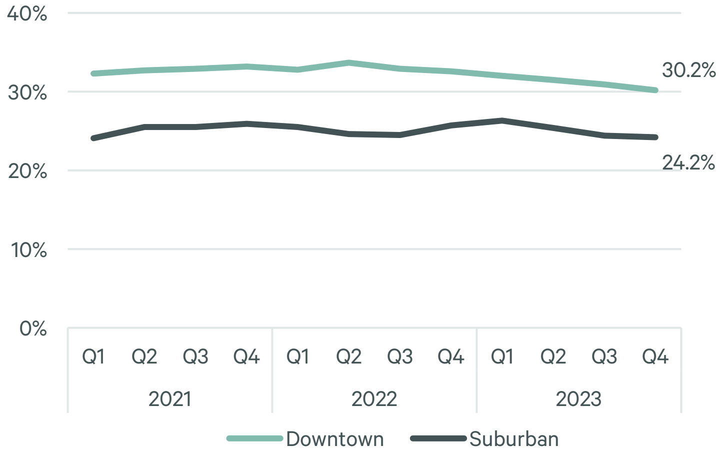


UNDER CONSTRUCTION

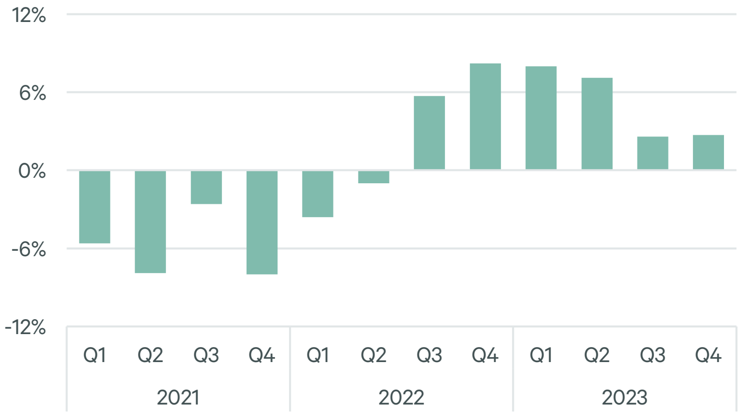
Downtown
0 SF
0.0% of Inventory

Suburban
177,000 SF
0.7% of Inventory

DOWNTOWN VS SUBURBAN VACANCY



METRO CLASS A RENT, Y-o-Y GROWTH

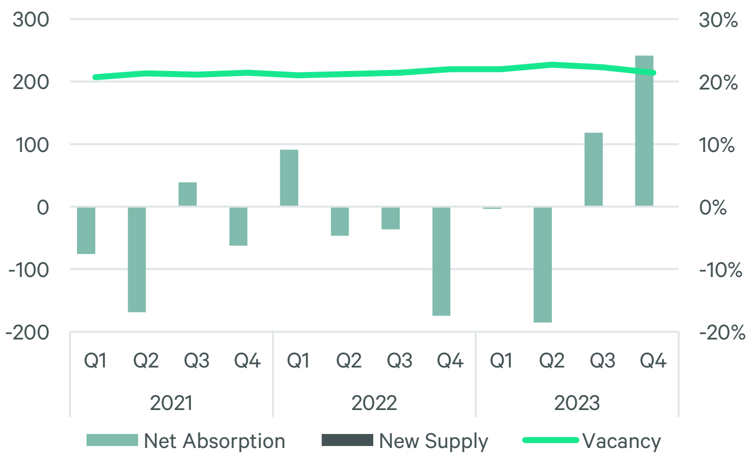


Edmonton

Landlords continue to improve their portfolio with lobby improvements and new amenities as a means of attracting tenants. Rice Howard Place has started its $22 million renovation while MNP Tower recently launched a new amenity floor which includes a lounge, game areas and virtual golf simulator. Tenants are taking advantage of current market conditions and making flight-to-quality moves, with amenities acting as a major draw.

MARKET STATS	DOWNTOWN	SUBURBAN	TOTAL	Q/Q
Net Rentable Area	16,439,891	9,921,850	26,361,741	◀▶
Overall Vacancy Rate	22.9%	18.7%	21.4%	▼
Direct Space	3,539,707	1,707,124	5,246,831	▼
Sublet Space	232,678	152,266	384,944	▼
Sublet % of Vacant	6.2%	8.2%	6.8%	▼
Class A Vacancy Rate	21.0%	15.1%	19.4%	▼
Avg. Class A Net Rent (PSF)	$19.34	$18.38	$19.14	▼
Quarter Net Absorption	158,160	83,559	241,719	▲
Quarter New Supply	0	0	0	◀▶
Under Construction	0	0	0	◀▶

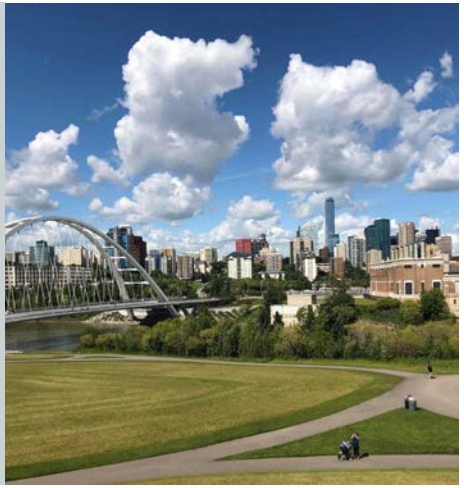
METRO SUPPLY & DEMAND



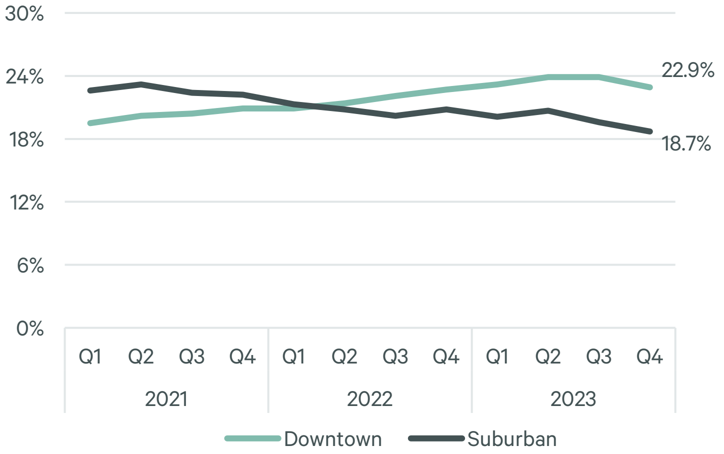
UNDER CONSTRUCTION

Downtown
0 SF
0% of Inventory

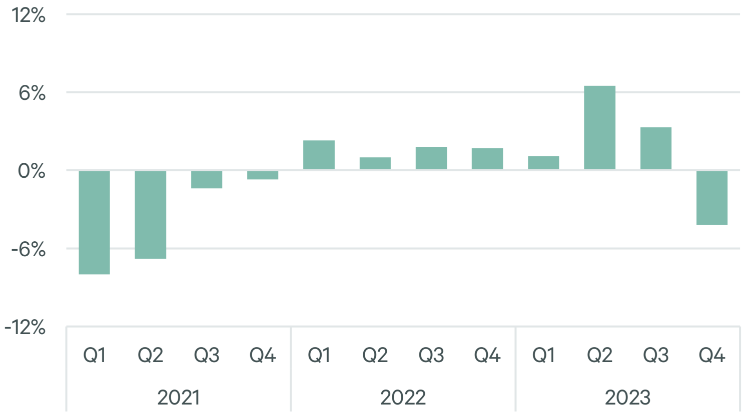
Suburban
0 SF
0% of Inventory



DOWNTOWN VS SUBURBAN VACANCY



METRO CLASS A RENT, Y-o-Y GROWTH

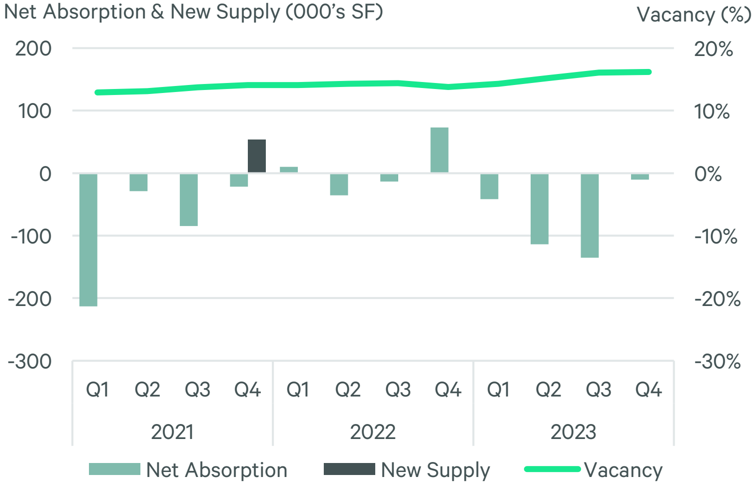


Winnipeg

Downtown vacancy increased 50 bps to 18.3% this quarter, the result of multiple Class A and B spaces being brought to market. Conversely, the suburban market saw a significant drop in vacancy of 110 bps to 10.9%. Tenants continue to migrate out of the core and, among other benefits, are being drawn by the suburbs' attractive pricing and shorter commute times.

MARKET STATS	DOWNTOWN	SUBURBAN	TOTAL	Q/Q
Net Rentable Area	10,122,371	4,045,296	14,167,667	◀▶
Overall Vacancy Rate	18.3%	10.9%	16.2%	▲
Direct Space	1,625,429	416,360	2,041,789	▼
Sublet Space	227,405	24,580	251,985	▲
Sublet % of Vacant	12.3%	5.6%	11.0%	▲
Class A Vacancy Rate	15.5%	N/A	15.5%	▲
Avg. Class A Net Rent (PSF)	$19.34	N/A	$19.34	▼
Quarter Net Absorption	-55,056	44,841	-10,215	▲
Quarter New Supply	0	0	0	◀▶
Under Construction	380,000	14,234	394,234	◀▶

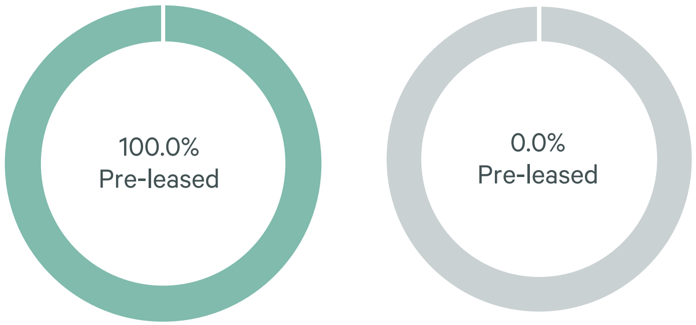
METRO SUPPLY & DEMAND



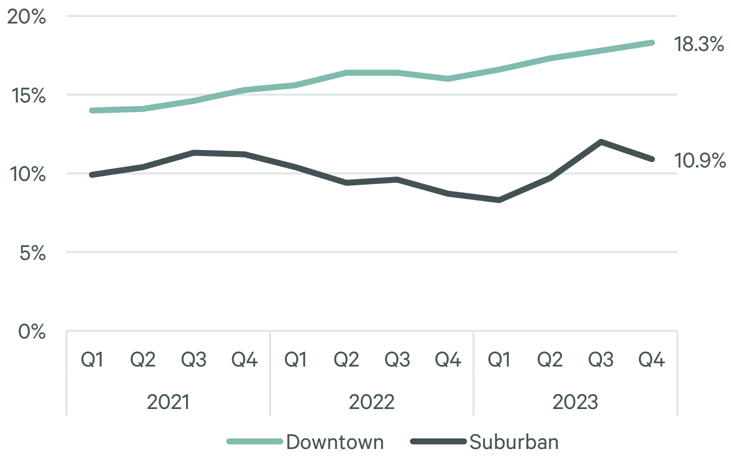
UNDER CONSTRUCTION

Downtown
380,000 SF
3.8% of Inventory

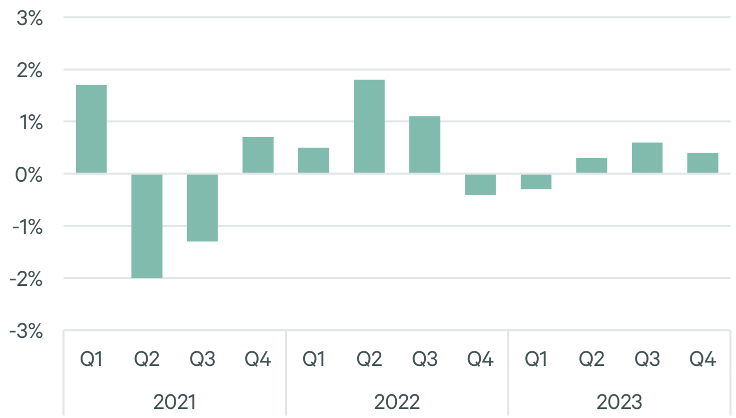
Suburban
14,200 SF
0.4% of Inventory



DOWNTOWN VS SUBURBAN VACANCY



METRO CLASS A RENT, Y-o-Y GROWTH

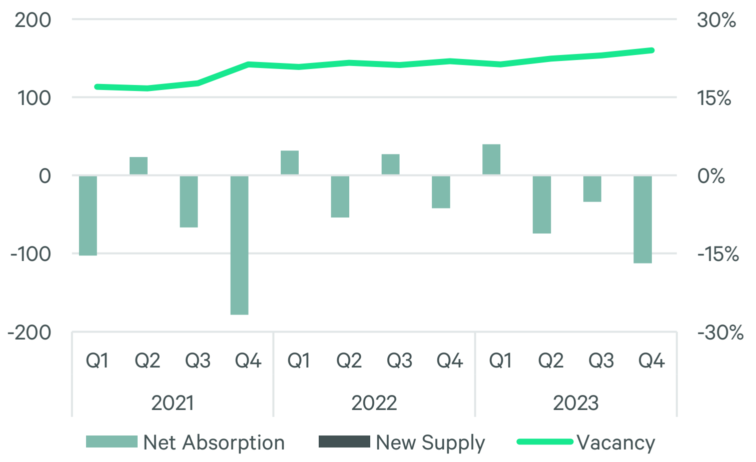


London

As part of their relocation from Toronto to London, WSIB has purchased 300 Tartan Dr from 3M Canada. Put up for sale in 2022, the 135,000 sq. ft. suburban office building is expected to be operational in 2025. While opting to move into owner-occupied space, the move is still expected to be a major boost for the local economy, generating at least 2,000 local spin-off jobs over the next five years.

MARKET STATS	DOWNTOWN	SUBURBAN	TOTAL	Q/Q
Net Rentable Area	4,801,976	1,579,529	6,381,505	◀▶
Overall Vacancy Rate	28.5%	10.6%	24.0%	▲
Direct Space	1,269,161	161,151	1,430,312	▲
Sublet Space	97,100	6,752	103,852	▲
Sublet % of Vacant	7.1%	4.0%	6.8%	▼
Class A Vacancy Rate	18.1%	N/A	18.1%	▲
Avg. Class A Net Rent (PSF)	$15.07	N/A	$15.07	▲
Quarter Net Absorption	-105,631	-6,956	-112,587	▼
Quarter New Supply	0	0	0	◀▶
Under Construction	0	0	0	◀▶

METRO SUPPLY & DEMAND

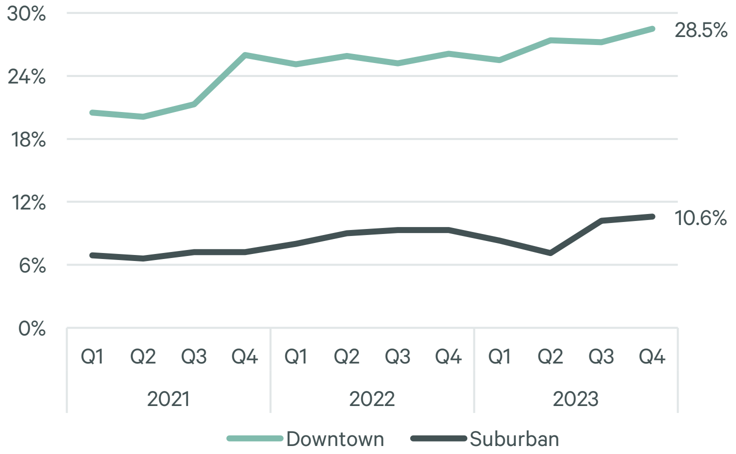


UNDER CONSTRUCTION

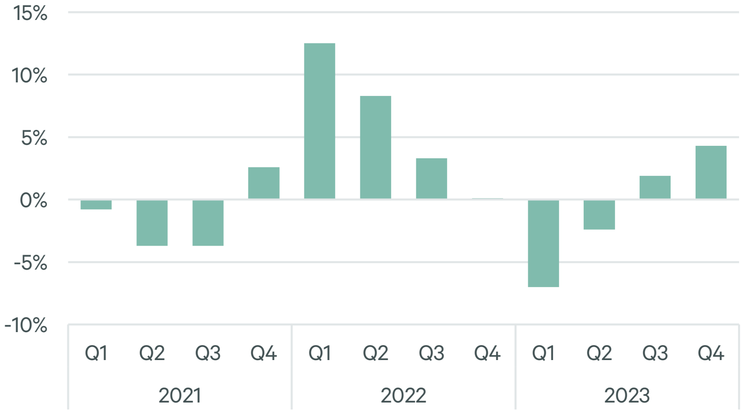
Downtown
0 SF
0% of Inventory

Suburban
0 SF
0% of Inventory

DOWNTOWN VS SUBURBAN VACANCY



METRO CLASS A RENT, Y-o-Y GROWTH

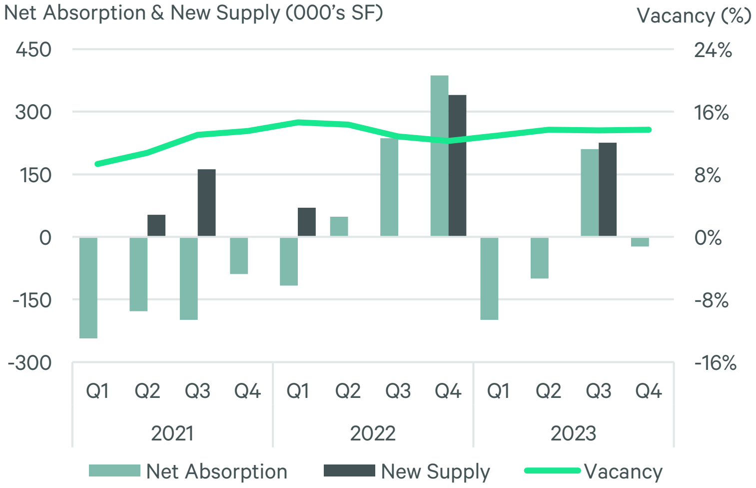


Waterloo Region

Vacancy held steady in Waterloo Region, increasing just 10 bps over the quarter to 13.7% with inverse movements being observed between the core and suburbs. Core vacancy increased 120 bps to 23.3% as the cost of construction to build out units continues to be an inhibiting factor. Meanwhile, suburban vacancy dropped 30 bps in Q4 2023 to 9.4% as more turnkey solutions are available for tenants.

MARKET STATS	DOWNTOWN	SUBURBAN	TOTAL	Q/Q
Net Rentable Area	5,025,065	11,129,843	16,154,908	◀▶
Overall Vacancy Rate	23.3%	9.4%	13.7%	▲
Direct Space	1,082,392	776,838	1,859,230	▲
Sublet Space	89,439	269,944	359,383	▼
Sublet % of Vacant	7.6%	25.8%	16.2%	▼
Class A Vacancy Rate	24.6%	8.7%	13.0%	▲
Avg. Class A Net Rent (PSF)	$27.14	$16.85	$21.97	▼
Quarter Net Absorption	-61,027	38,073	-22,954	▼
Quarter New Supply	0	0	0	▼
Under Construction	0	19,600	19,600	◀▶

METRO SUPPLY & DEMAND

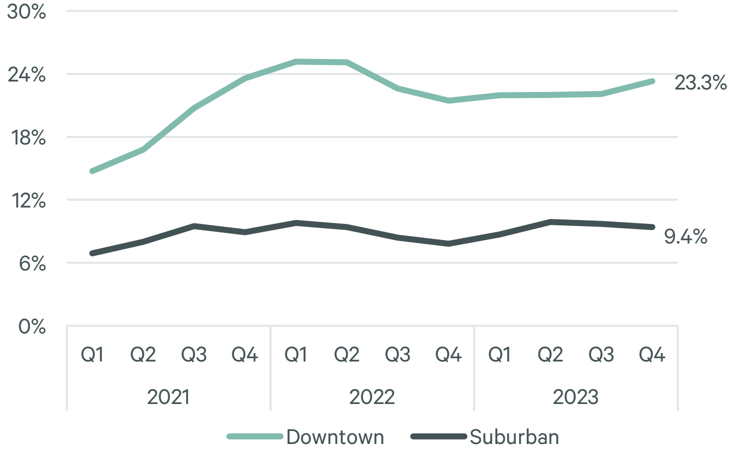


UNDER CONSTRUCTION

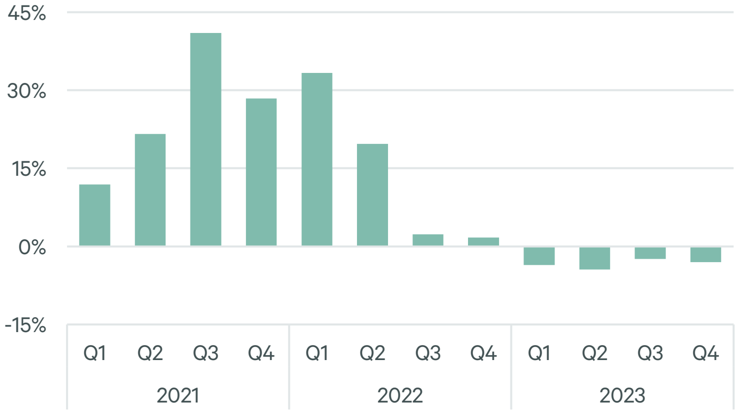
Downtown
0 SF
0.0% of Inventory

Suburban
19,600 SF
0.2% of Inventory

DOWNTOWN VS SUBURBAN VACANCY



METRO CLASS A RENT, Y-o-Y GROWTH



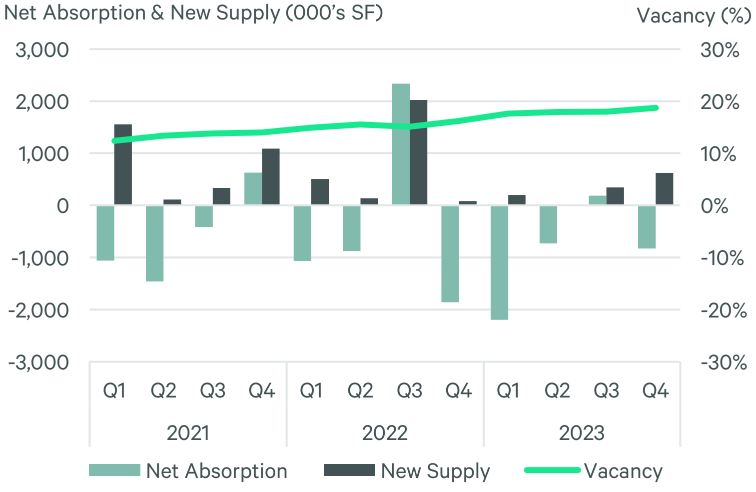
Toronto

Toronto's downtown office market saw vacancy hit yet another all-time high as the market continues to trudge through uncertain economic conditions. Despite this, physical occupancy is pushing higher, creating tailwinds amid current headwinds. Well-capitalized occupiers continue to seek quality office space with legal and educational users in the market with sizable mandates.

MARKET STATS	DOWNTOWN	SUBURBAN	TOTAL	Q/Q
Net Rentable Area	94,935,091	77,239,380	172,174,471	▲
Overall Vacancy Rate	17.4%	20.3%	18.7%	▲
Direct Space	12,286,937	12,484,163	24,771,100	▲
Sublet Space	4,271,543	3,217,331	7,488,874	▼
Sublet % of Vacant	25.8%	20.5%	23.2%	▼
Class A Vacancy Rate	15.4%	23.4%	18.6%	▲
Avg. Class A Net Rent (PSF)	$35.72	$18.92	$28.92	▲
Quarter Net Absorption	-1,018,918	192,377	-826,541	▼
Quarter New Supply	624,550	0	624,550	▲
Under Construction	4,300,391	678,856	4,979,247	▼

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

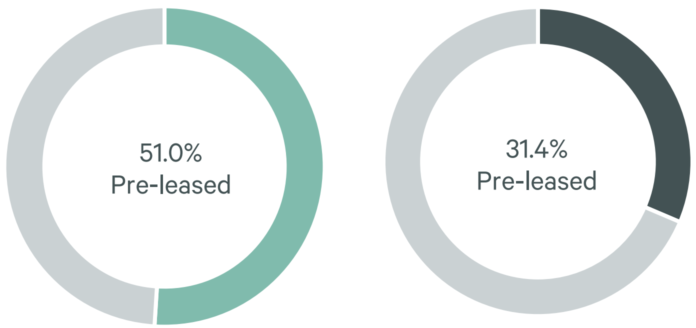
METRO SUPPLY & DEMAND



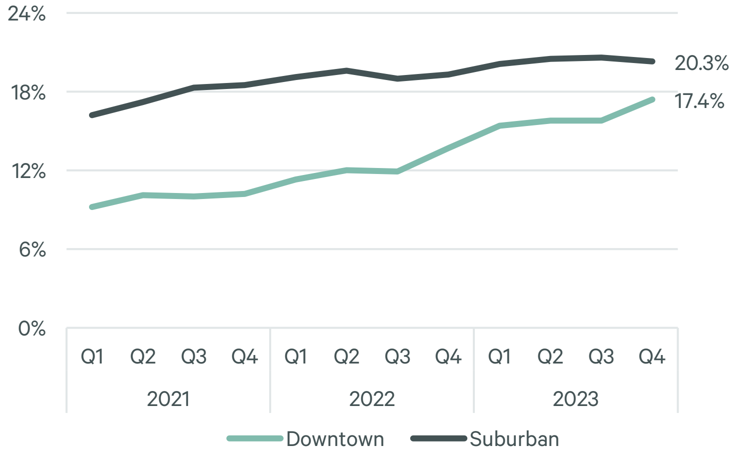
UNDER CONSTRUCTION

Downtown
4.3 MSF
4.5% of Inventory

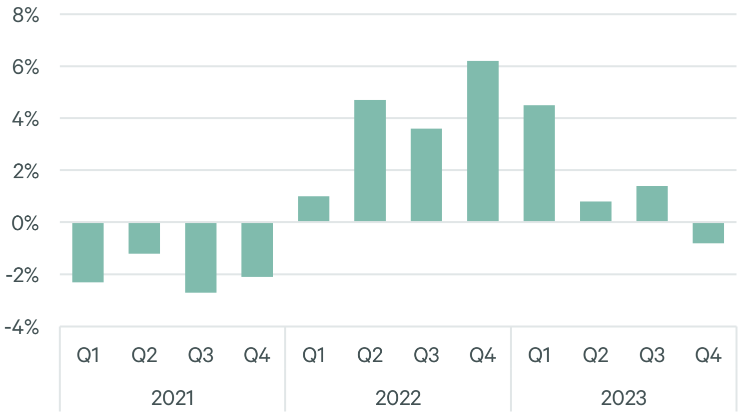
Suburban
679,000 SF
0.9% of Inventory



DOWNTOWN VS SUBURBAN VACANCY



METRO CLASS A RENT, Y-o-Y GROWTH



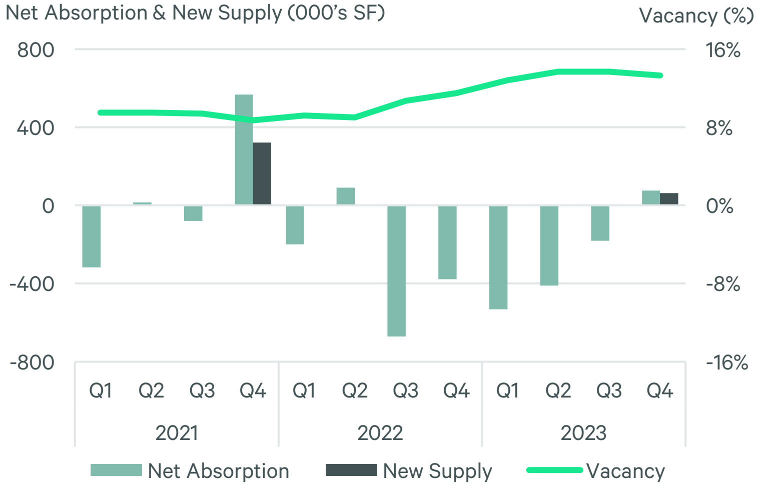
Ottawa

Ottawa closed off 2023 on an optimistic note as office vacancy contracted by 40 bps to 13.3%. The market has observed tenants continue to right-size or even downsize based on their office needs. Likewise, some landlords have adjusted their portfolio strategy, with older office assets increasingly being sold with the intention to convert the asset to other uses.

MARKET STATS	DOWNTOWN	SUBURBAN	TOTAL	Q/Q
Net Rentable Area	18,300,582	22,640,294	40,940,876	▼
Overall Vacancy Rate	14.2%	12.5%	13.3%	▼
Direct Space	2,217,972	2,264,656	4,482,628	▼
Sublet Space	376,504	571,861	948,365	▼
Sublet % of Vacant	14.5%	20.2%	17.5%	▲
Class A Vacancy Rate	11.6%	12.9%	12.4%	▲
Avg. Class A Net Rent (PSF)	$23.18	$15.81	$18.97	▲
Quarter Net Absorption	-56,207	132,748	76,541	▲
Quarter New Supply	61,867	0	61,867	▲
Under Construction	0	72,000	72,000	▲

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

METRO SUPPLY & DEMAND

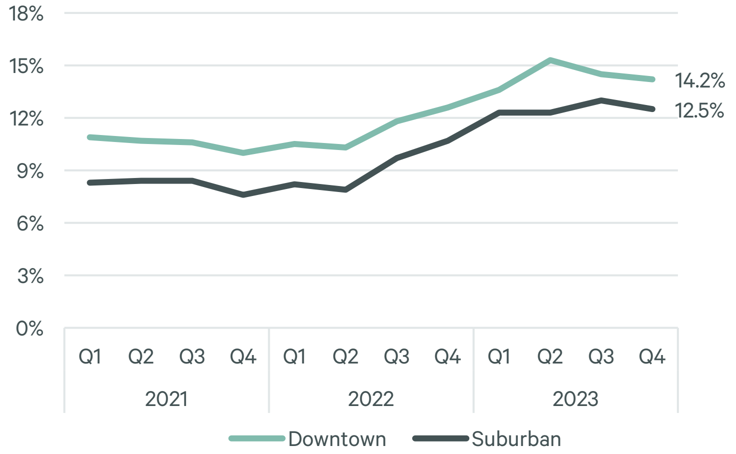


UNDER CONSTRUCTION

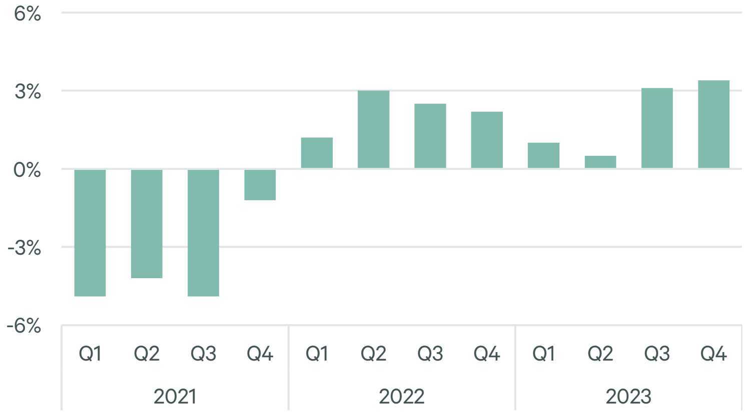
Downtown
0 SF
0.0% of Inventory

Suburban
72,000 SF
0.3% of Inventory

DOWNTOWN VS SUBURBAN VACANCY



METRO CLASS A RENT, Y-o-Y GROWTH



Montreal

Vacancy remained unchanged from the previous quarter in Montreal, with the market recording just 56,000 sq. ft. of negative net absorption. Lease transaction volume remains muted compared a year prior, however, with a noted decrease in the average transaction size. Activity has increased for smaller spaces, with tenants targeting options under 5,000 sq. ft.

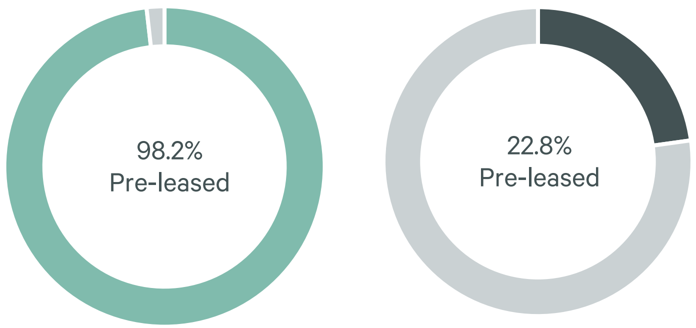
MARKET STATS	DOWNTOWN	SUBURBAN	TOTAL	Q/Q
Net Rentable Area	45,605,148	32,475,466	78,080,614	▲
Overall Vacancy Rate	18.0%	17.6%	17.8%	◀▶
Direct Space	6,805,909	4,922,954	11,728,863	▼
Sublet Space	1,399,491	807,421	2,206,912	▲
Sublet % of Vacant	17.1%	14.1%	15.8%	▲
Class A Vacancy Rate	15.5%	15.2%	15.3%	▲
Avg. Class A Net Rent (PSF)	$25.23	$17.30	$22.27	▲
Quarter Net Absorption	-264,442	208,226	-56,216	▲
Quarter New Supply	0	0	0	◀▶
Under Construction	1,555,907	470,000	2,025,907	◀▶

METRO SUPPLY & DEMAND

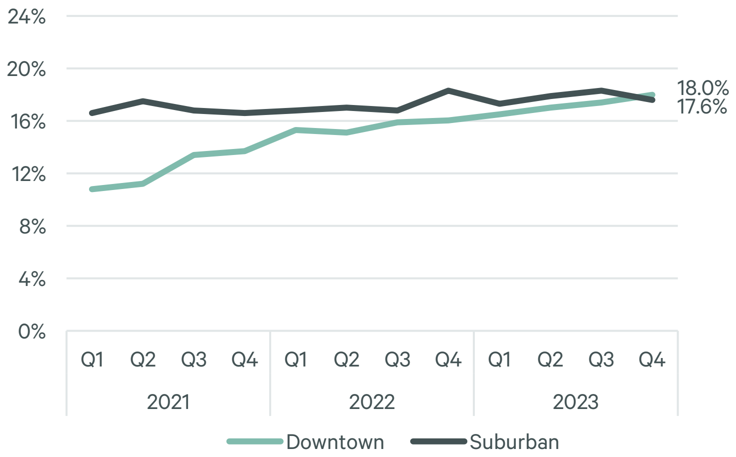
UNDER CONSTRUCTION

Downtown
1.6 MSF
3.4% of Inventory

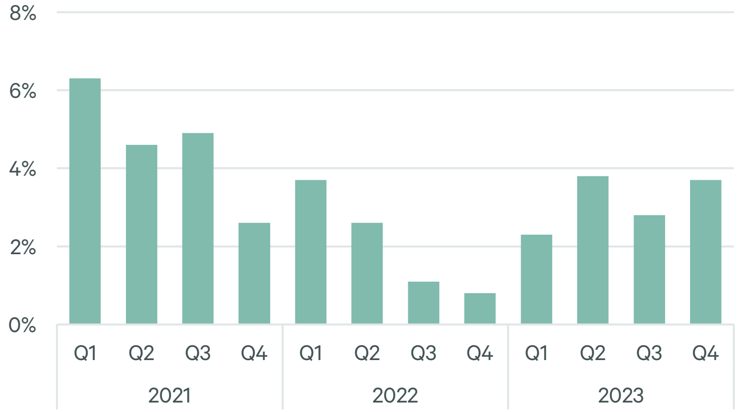
Suburban
470,000 SF
1.4% of Inventory



DOWNTOWN VS SUBURBAN VACANCY



METRO CLASS A RENT, Y-o-Y GROWTH

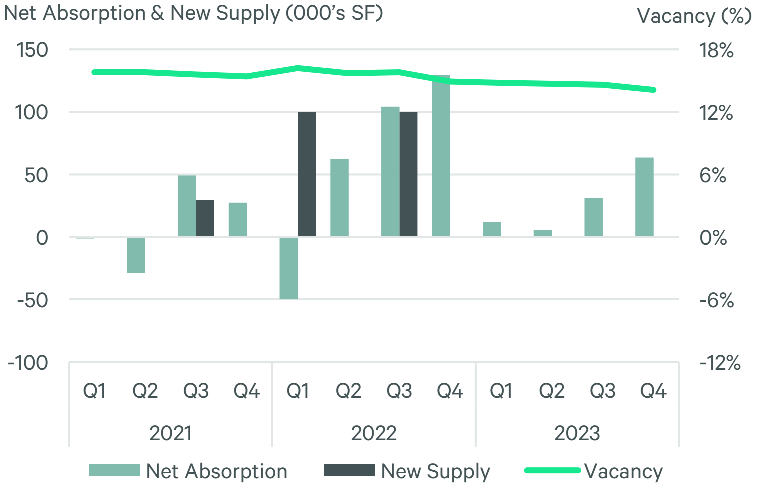


Halifax

Vacancy simultaneously decreased across both the downtown and suburban submarkets for the first time in 2023. Demand for coworking space has remained strong in Halifax meanwhile with Modspace opening its third site at the Westway Campus in Bedford. This follows the opening of Spaces at the Maritime Centre in Q3 2023, one of the largest in the region.

MARKET STATS	DOWNTOWN	SUBURBAN	TOTAL	Q/Q
Net Rentable Area	5,298,465	7,730,338	13,028,803	▼
Overall Vacancy Rate	17.9%	11.5%	14.1%	▼
Direct Space	905,521	793,211	1,698,732	▼
Sublet Space	40,760	96,567	137,327	▼
Sublet % of Vacant	4.3%	10.9%	7.5%	▼
Class A Vacancy Rate	21.6%	17.1%	19.4%	▲
Avg. Class A Net Rent (PSF)	$19.16	$17.16	$18.35	▲
Quarter Net Absorption	37,539	26,019	63,558	▲
Quarter New Supply	0	0	0	◀▶
Under Construction	0	81,000	81,000	◀▶

METRO SUPPLY & DEMAND

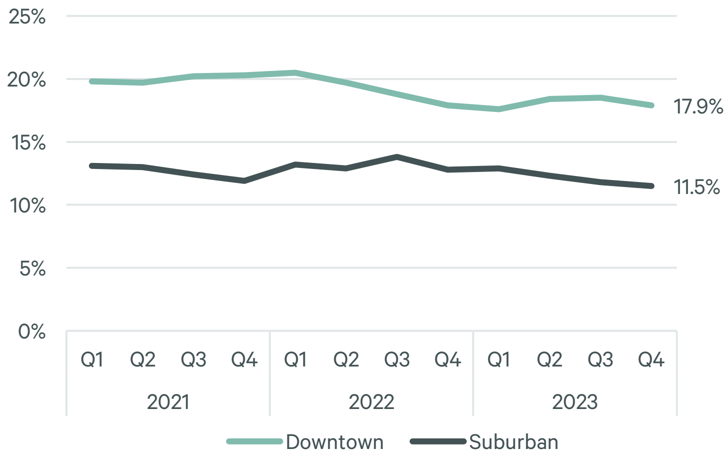


UNDER CONSTRUCTION

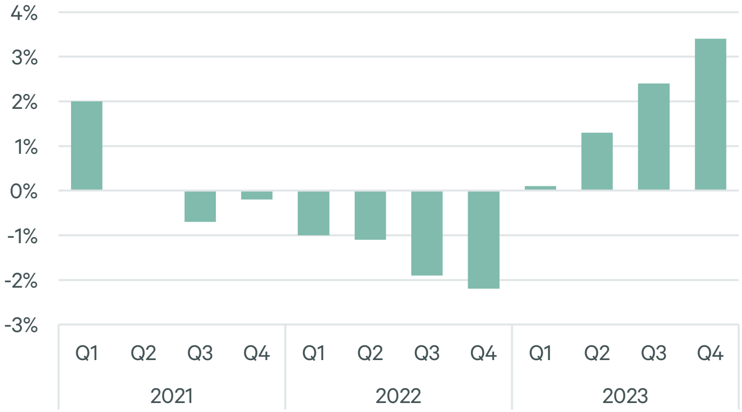
Downtown
0 SF
0.0% of Inventory

Suburban
81,000 SF
1.0% of Inventory

DOWNTOWN VS SUBURBAN VACANCY



METRO CLASS A RENT, Y-o-Y GROWTH



Contacts

Marc Meehan
Managing Director, Research
+1 647 943 4205
marc.meehan@cbre.com

Christina Cattana
Research Manager
+1 416 847 3255
christina.cattana@cbre.com

Evan Lee
Research Manager
+1 647 943 3654
evan.lee@cbre.com

Savannah Fidani
Research Analyst
+1 647 943 4172
savannah.fidani@cbre.com