

	YoY Chg	12-Mo. Forecast
14.4% Vacancy Rate	▲	▼
-3.1M Net Absorption, SF	▲	▲
\$39.70 Gross Asking Rent, PSF	▲	▬
0.7% Rent Growth Q-Q	▲	▬
21.3M Under Construction, SF	▲	▬

(Overall, All Property Classes)

ECONOMIC INDICATORS Q3 2021

	YoY Chg	12-Mo. Forecast
18.9M Total Nonfarm Employment	▲	▲
4.9M Office-using Employment	▲	▲
6.9% Canada Unemployment Rate	▼	▼

Source: Statistics Canada

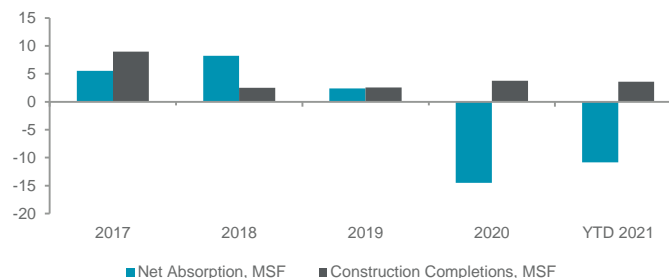
A Brightening Outlook for Majority of Office Metrics

One of the most positive signs the country has seen since the pandemic began was employment in September 2021 returning to its February 2020 level. This growth was seen in both the public and private sectors as employee numbers were at or above pre-pandemic levels, while self employment remained 8.4% below its pre-pandemic level. Service sector increases were led by the public administration, information, culture and recreation and professional, scientific and technical services sectors; two of which are considered strong drivers of office employment. While the growth in these sectors has not fully translated into workers returning to the office with the number of people working from home at 4.1 million in September 2021, it is down from 5.1 million in April 2020.

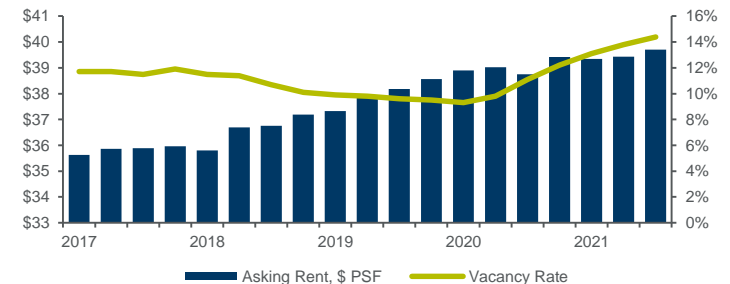
The fourth wave proved to be a bit of a disruptor across Canadian markets this quarter, and while there is still a ways to go before market conditions return to pre-pandemic levels, demand continued to show some signs of improvement in the third quarter of 2021. Although overall Canadian absorption was still sharply negative at 3.1 million square feet (msf), it was primarily driven by new vacancy significantly outpacing demand in just a few markets rather than a substantial softening in multiple markets – in fact, Vancouver had overall positive absorption for the first time since the first quarter of 2020 and in Edmonton (although the amount was minimal) this quarter was the first quarter the market has seen positive absorption since the second quarter of 2019. Although year-to-date (YTD) absorption is deeper in negative territory compared to the YTD total for 2020, there is some room for optimism when looking at leasing activity. Although leasing activity was down from last quarter to 4.9 msf, the YTD total of 14.3 msf is 29% higher compared to the same time period in 2020. Vancouver and Toronto are the leaders in the country with both markets seeing YTD leasing activity of approximately 4.0 msf.

Overall Canadian vacancy in the third quarter continued to struggle – rising from last quarter to 14.4%. Total direct space available climbed to 62.4 msf, while available sublet space also ticked upwards this quarter to 15.9 msf, approximately 600,000 square feet (sf) higher than last quarter. Like absorption however the majority of the increase in sublease vacancy was located in just a few markets, while major markets such as Vancouver and Toronto experienced a decline in sublet vacancy.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & GROSS DIRECT ASKING RENT



CANADA NATIONAL

Office Q3 2021



New supply accelerated from last quarter to 808,000 sf, bringing the YTD total to 3.6 msf. In terms of square footage completed in the third quarter of 2021 it was focused within the Suburban markets. Approximately 504,000 sf of the total amount delivered was preleased before completion and therefore this new supply had a minimal impact on vacancy.

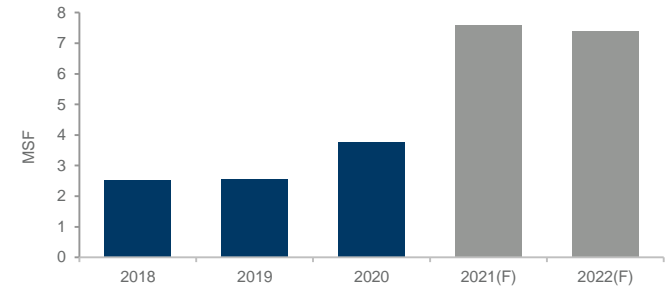
With the exception of the first quarter, there has not been significant amounts of new supply delivered in 2021. However, that is anticipated to change in the fourth quarter of 2021 as 3.9 msf is set to arrive on the market, the highest quarterly total since the third quarter of 2009. This new supply is concentrated within Vancouver and Toronto. In Vancouver 966,000 sf is set to be delivered, primarily focused with the Central area. Of this total 362,000 sf has been preleased. In Toronto close to 2.2 msf is set to be delivered, including The Well, a million square foot project located in the Downtown market. Of all the total square footage set to be completed next quarter 2.7 msf of that space has been preleased to date, which if remains unchanged, may result in vacancy bumping up slightly.

Although the direct net asking rental rate data that was released last quarter showed a notable decline, the data was re-calculated, and the overall direct rent was in fact \$21.26 per square foot (psf) rather than \$19.70 psf. As such rents last quarter only declined by one cent compared to the first quarter of 2021. In the third quarter the net rent ticked up slightly to reach \$21.49 psf, as increases occurred in both the Central and Suburban markets. As discussed last quarter however many landlords in the major markets, particularly those with notable amounts of vacancy in the Central markets, are not posting asking rents but are preferring instead to state negotiable or market. As a result, the pool of net rents used to calculate the weighted averages is smaller compared to data collected pre-pandemic.

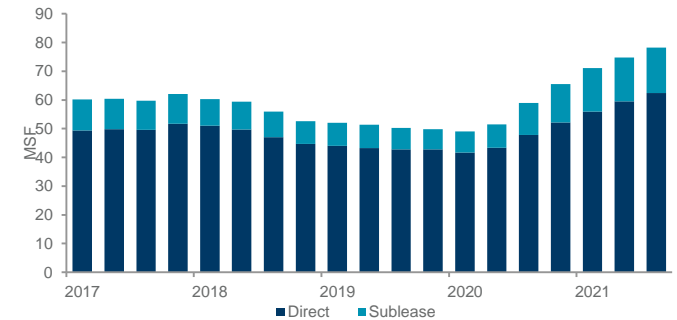
OUTLOOK

- Many large office-occupiers are instituting a policy where employees need to be fully vaccinated to return to the office. One of the most significant being the federal public service. Although the federal government has been quiet on their exact plans, how this return-to-office process unfolds will be closely watched.
- Although sectors that contribute to office employment have expanded, it has not yet been fully realized in return to the office. With the winter months approaching, it is likely large office users may wait to bring people back until the spring of 2022. However even then it is anticipated that many companies will adopt, at least in the short term, a hybrid work model which combines working in the office with working from home.

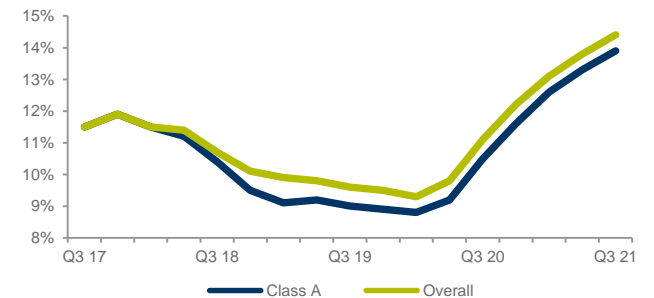
NEW SUPPLY



DIRECT VS. SUBLEASE SPACE VACANCY COMPARISON



CLASS A VS. OVERALL VACANCY COMPARISON



MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION	YTD OVERALL ABSORPTION (SF)	CONSTRUCTION COMPLETIONS (SF)	UNDER CNSTR (SF)	OVERALL AVG ASKING RENT (ALL CLASSES)*	OVERALL AVG ASKING RENT (CLASS A)*
Vancouver	63,368,802	1,103,913	3,977,961	8.0%	232,368	-356,181	460,075	9,312,916	\$46.01	\$50.64
Edmonton	29,473,373	730,509	4,989,629	19.4%	2,809	-398,960	0	0	\$33.98	\$38.98
Calgary	70,107,343	3,999,184	14,774,173	26.8%	-879,076	-1,715,976	0	63,195	\$32.56	\$36.53
Winnipeg	15,952,995	141,852	1,797,135	12.2%	-189,249	-501,444	0	0	\$30.37	\$36.19
Toronto	183,720,235	6,255,851	15,399,895	11.8%	-748,407	-4,402,732	147,546	8,533,515	\$47.98	\$52.35
Kitchener	5,157,490	122,847	1,218,202	26.0%	-77,004	-244,922	0	422,000	\$28.17	\$29.62
Waterloo	7,408,625	391,689	766,755	15.6%	-7,854	-295,954	0	0	\$26.56	\$28.76
Ottawa	41,527,663	730,939	3,506,793	10.2%	-129,205	-708,082	0	333,540	\$36.22	\$40.97
Montreal	102,320,125	2,296,696	12,218,109	14.2%	-1,328,896	-2,057,642	200,323	2,443,754	\$34.54	\$43.03
Fredericton	2,056,554	0	235,705	11.5%	5,347	-60,425	0	0	\$25.22	\$28.67
Saint John	2,317,846	20,000	595,814	26.6%	-18,708	-73,075	0	0	\$22.54	\$28.78
Moncton	2,961,532	17,024	311,365	11.1%	-16,980	-43,573	0	0	\$25.18	\$30.23
Halifax	12,788,109	87,124	1,778,917	14.6%	9,215	89,585	0	179,125	\$28.84	\$31.87
St. John's	3,851,183	21,453	796,599	21.2%	6,845	-59,367	0	75,000	\$34.49	\$40.57
NATIONAL TOTALS	543,011,8754	15,919,081	62,367,052	14.4%	--3,138,795	--10,828,748	807,944	21,363,045	\$39.70	\$45.09

*Rental rates reflect direct full service asking

Kristina Bowman

Senior Manager of Research

Tel: +1 416 359 2419

kristina.bowman@cushwake.com

Adam Jacobs

Head of Canada Research

Tel: +1 416 359 2390

adam.jacobs@cushwake.com

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