MARKETBEAT

CANADA NATIONAL

INDUSTRIAL Q4 2024

CUSHMAN & WAKEFIELD

MARKET FUNDAMENTALS

	YOY Chg	Outlook
4.8% Vacancy Rate	▲	▲
-2.9M EOY Net Absorption, SF	▼	▲
$15.81 Asking Rent, PSF *(Overall, Net Asking Rent)*	▼	▼

ECONOMIC INDICATORS

	YOY Chg	Outlook
20.5M Total Nonfarm Employment	▲	▲
2.9M Industrial Employment	▲	▲
6.7% Canada Unemployment Rate	▲	—

Source: Statistics Canada

INDUSTRIAL VACANCY RESUMES ITS UPWARD TREND

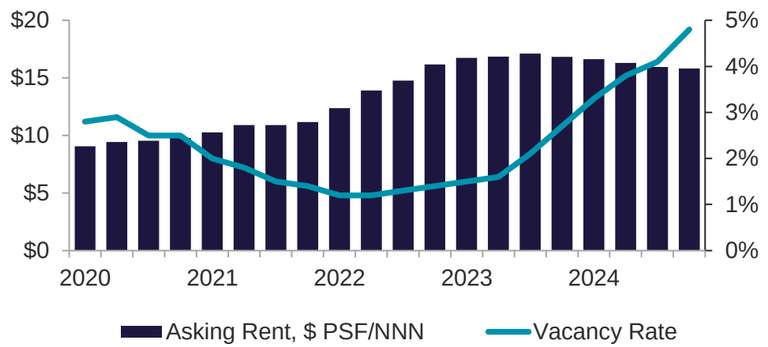
In its December 2024 Labour Force Survey, Statistics Canada reported employment rose by 91,000 from last month as the unemployment rate declined by 10 basis points (bps) to 6.7%. Employment levels in sectors that are the most closely linked with occupying industrial space have varied over the course of 2024. The transportation & warehousing sector however witnessed strong employment growth in December, rising by 17,000 in comparison to last month.

Although the overall Canadian industrial vacancy rate was showing some initial signs of stabilization in Q3 2024, that did not occur in Q4 2024 as the vacancy rate rose 70 basis points (bps) quarter-over-quarter (QOQ) to reach 4.8%. This represents the steepest QOQ climb since vacancy began to notably trend upwards in the latter half of 2023. This rise in vacancy from last quarter was mirrored throughout all the major markets in the fourth quarter, with QOQ vacancy increases ranging from 60 to 70 bps.

With the increase in the vacancy rate came the arrival of new vacant space on the market; which climbed by approximately 13.0 million square feet (msf) compared to last quarter's totals. This is more than double the amount of new vacancy that arrived on the market between the second and third quarters of this year. What likely played a key role in the amount of new vacancy that arrived on the market was the vacant space located within the new supply that was delivered in Q4 2024. Of the close to 13.2 msf that was delivered to the market this quarter as new supply, approximately 7.7 msf of that overall total came on the market as new vacancy. The amount of sublet vacancy on the market also resumed its upward trend after a momentary pause last quarter and now sits at 11.8 msf. This represents an increase of 65.5% from the amount of sublet vacancy on the market in Q4 2023. Sublet vacancy will likely continue to climb through the first half of 2025 as occupiers continue to adjust their space requirements in the face of a cooling labour market and economic uncertainty. In addition to this only approximately 180k square feet of sublease vacancy has lease terms set to expire in the first half of 2025.

SPACE DEMAND / DELIVERIES

OVERALL VACANCY & ASKING RENT



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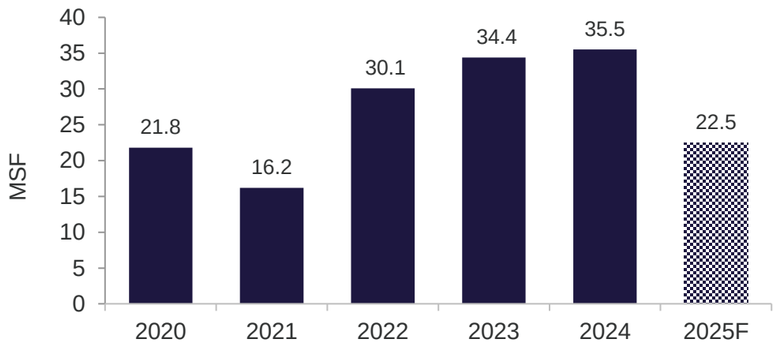
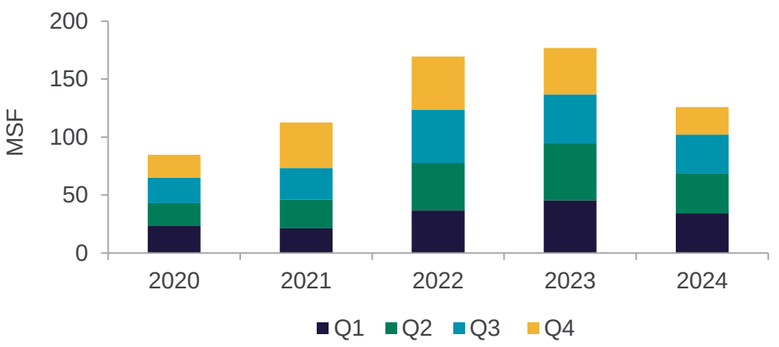
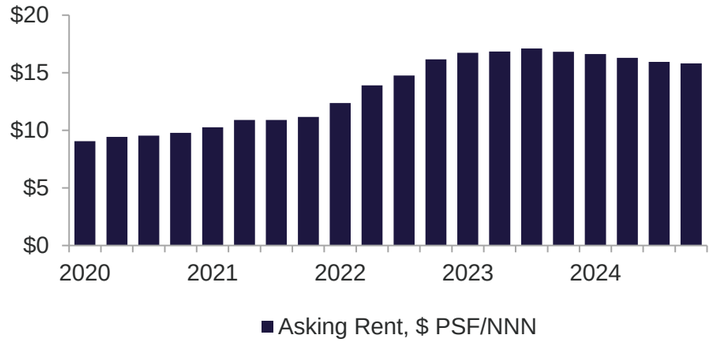
NEW SUPPLY



SPACE UNDER CONSTRUCTION



AVERAGE ASKING DIRECT NET RENT



Despite the notable rise in the amount of vacant space on the market, absorption levels remained in positive territory this quarter reaching close to 655k sf. This brought the overall annual total to close to negative 2.9 msf. Although three out of the four quarters of the year witnessed positive absorption, it was the strong negative absorption of 5.5 msf in the second quarter that led to the overall 2024 figure being in the negative. All of the major markets had varied levels of absorption not only this quarter, but throughout 2024. This was likely the result of a combination of factors but in part was driven not only by the arrival of new supply, but also the occupancy of this new supply as well as occupancy of space by a tenant that leased the space in a prior quarter. Out of all the major markets Montreal has witnessed some of the most substantial softening this year with high negative absorption throughout 2024. While Montreal did have 3.4 msf of new supply arrive to the market in 2024, a new annual record, these properties delivered only 31% preleased which therefore did not provide much of a boost to absorption levels.

Leasing activity had a strong finish to 2024 with an overall total of 12.3 msf, similar to what was posted last quarter. This brought the annual total to 45.4 msf - only 100k sf lower than the annual total in 2023. The being said the number of new leasing transactions in 2024 was higher in comparison to 2023, specifically for deals under 125k sf, with a continued slowdown in transactions over 125k sf. In 2023 there were 66 new leasing transactions over that square footage threshold in comparison to 45 in 2024, with the majority of the activity with these larger transactions occurring in the second half of 2024.

As discussed, new supply arrivals reached 13.2 msf this quarter, close to double the square footage that was delivered last quarter and is the highest quarterly total of the year. This brought the annual 2024 total to close to 35.5 msf, just surpassing last year's total and setting a new annual record. Toronto led the way at 14.4 msf delivered in 2024, followed by Calgary and Vancouver. The amount of square footage under construction has slowed substantially and currently sits at 23.4 msf, down from 40.1 msf at the end of 2023. For the major markets alone the total square footage under construction is approximately 19.6 msf and as currently 65% of this square footage has yet to be preleased, the delivery of these projects will continue to impact vacancy and absorption levels.

The overall asking average net asking rental rate continued to ease downward to reach $15.81 per square foot, approximately 6.0% lower than the rate at the end of Q4 2023. The majority of the major markets witnessed year-over-year decreases as well with Toronto posting the largest decline at 6.0%.

OUTLOOK

- After two record breaking years of new supply of approximately 35.0 msf being delivered to the market in 2023 and 2024, that will decline in 2025 to approximately 22.5 msf. The lion's share of that square footage is expected to arrive in the first half of the year.
- As this supply is delivered the overall vacancy rate will likely climb as the majority of the projects arriving are speculative builds that on average are currently only 34.0% preleased.
- Similar to 2024, absorption levels will fluctuate through 2025 as new supply is delivered and occupied.
- Asking net rental rates will more than likely continue to decline, albeit modestly, despite the likelihood that the vacancy arriving in new supply will have asking rates a bit higher than the average.

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MARKET STATISTICS Q4 2024

SUBMARKET	INVENTORY (SF)	OVERALL VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	UNDER CNSTR (SF)	YTD CONSTR COMPLETIONS (SF)	OVERALL WEIGHTED AVG NET RENT	OVERALL WEIGHTED AVG ADD. RENT	OVERALL WEIGHTED AVG GROSS RENT
Vancouver	246,529,671	8,249,726	3.3%	410,439	590,584	6,839,556	4,005,014	$19.99	$5.50	$25.48
Calgary	157,970,185	9,161,012	5.8%	-87,895	3,916,735	1,227,100	7,671,436	$10.79	$4.19	$14.98
Saskatoon	24,627,455	747,409	3.0%	112,998	186,889	259,850	339,367	$13.27	$5.07	$18.34
Winnipeg	77,120,822	2,337,593	3.0%	866,155	1,981,896	49,000	325,690	$9.64	$4.16	$13.80
Waterloo Region	96,334,573	4,260,537	4.4%	345,918	201,962	2,042,379	3,132,989	$13.43	$3.46	$16.89
London	42,405,922	1,289,565	3.0%	-93,450	-399,295	1,150,543	401,158	$9.45	$3.46	$12.91
Toronto	834,252,388	37,924,192	4.5%	598,504	-2,690,180	9,795,933	14,399,615	$17.33	$4.01	$21.34
Ottawa	28,334,337	1,536,691	5.4%	-88,493	81,308	381,431	1,046,724	$16.24	$5.90	$22.14
Montreal	349,449,890	21,935,436	6.3%	-1,442,860	-6,782,832	1,498,101	3,409,536	$14.81	$4.32	$19.13
Fredericton	523,015	982	0.2%	2,270	2,910	11,250	0	$8.10	$4.95	$13.05
Saint John	522,603	20,220	3.9%	0	16,880	0	0	$8.53	$4.27	$12.79
Moncton	4,775,685	312,055	6.5%	-24,898	-56,345	405,624	72,750	$7.01	$3.57	$10.59
Halifax	9,668,158	1,051,234	10.9%	92,325	31,820	123,984	662,680	$9.67	$6.45	$16.11
Charlottetown	396,139	15,399	3.9%	0	7,001	0	0	$10.67	$5.52	$16.19
St. John’s	4,395,130	678,298	15.4%	-36,053	-23,002	0	0	$13.06	$3.65	$16.71
NATIONAL TOTALS	**1,877,305,973**	**89,520,349**	**4.8%**	**654,960**	**-2,933,669**	**23,784,751**	**35,466,959**	**$15.81**	**$4.52**	**$20.34**

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METHODOLOGY

Cushman & Wakefield's quarterly estimates are derived from a variety of data sources, including its own proprietary database, and historical data from third party data sources. The market statistics are calculated from a base building inventory made up of industrial properties deemed to be competitive in the local industrial markets. The inventory is subject to revisions due to resampling. Vacant space is defined as space that is available immediately or imminently after the end of the quarter. Sublet space still occupied by the tenant is not counted as available space. The figures provided for the current quarter are preliminary, and all information contained in the report is subject to correction of errors and revisions based on additional data received.

EXPLANATION OF TERMS

Total Inventory: The total amount of industrial space (in buildings of a predetermined size by market) that can be rented by a third party.

Overall Vacancy Rate: The amount of unoccupied space (new, relet, and sublet) expressed as a percentage of total inventory.

Direct Vacancy Rate: The amount of unoccupied space available directly through the landlord, excludes sublease space.

Absorption: The net change in occupied space between two points in time. (Total occupied space in the present quarter minus total occupied space from the previous quarter, quoted on a net, not gross, basis.)

Leasing Activity: The sum of all leases over a period of time. This includes pre-leasing activity as well as expansions. It does not include renewals.

Overall Weighted Asking Rents: NNN average asking rents weighted by the amount of available direct space in industrial properties.

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