

1Q2022 Canada National Industrial Market Overview



NEWMARK

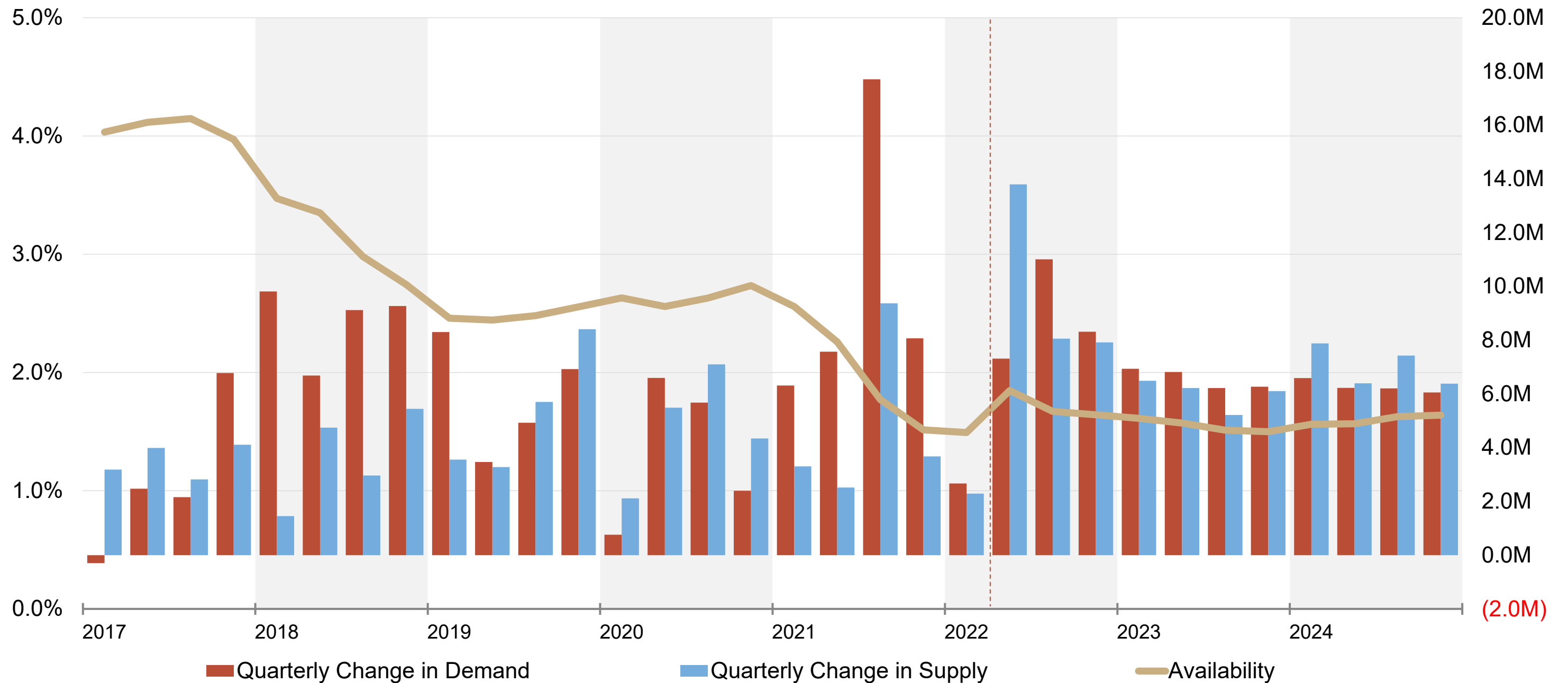
Market Highlights

- Leasing in the logistics space continues to surge to record levels with a record national absorption of about 37m square feet in the last 12 months.
- Even though there is a record level of new construction underway, it appears that a return to long term vacancy rates will not occur in the foreseeable future. The current national vacancy rate is 1.5%.
- Year over year increases in rental rates for logistics space is 9% nationally and upwards of 13% in the GTA.
- The Canadian industrial market remains the hottest investment sector of all property types. In Q4 2021, transaction volumes approached \$5 billion.
- Capitalization rate compression has continued, with the interest rate to capitalization rate spread for Industrial the lowest of all asset classes. This reflects purchasers' belief that given there is currently such low vacancy, with no forecast relief in sight, income growth will substantiate lower initial yields.
- The average national market capitalization rate is currently 4.9%. The national industrial inventory sits at 1.8 billions square feet, up only 1.02% year over year.

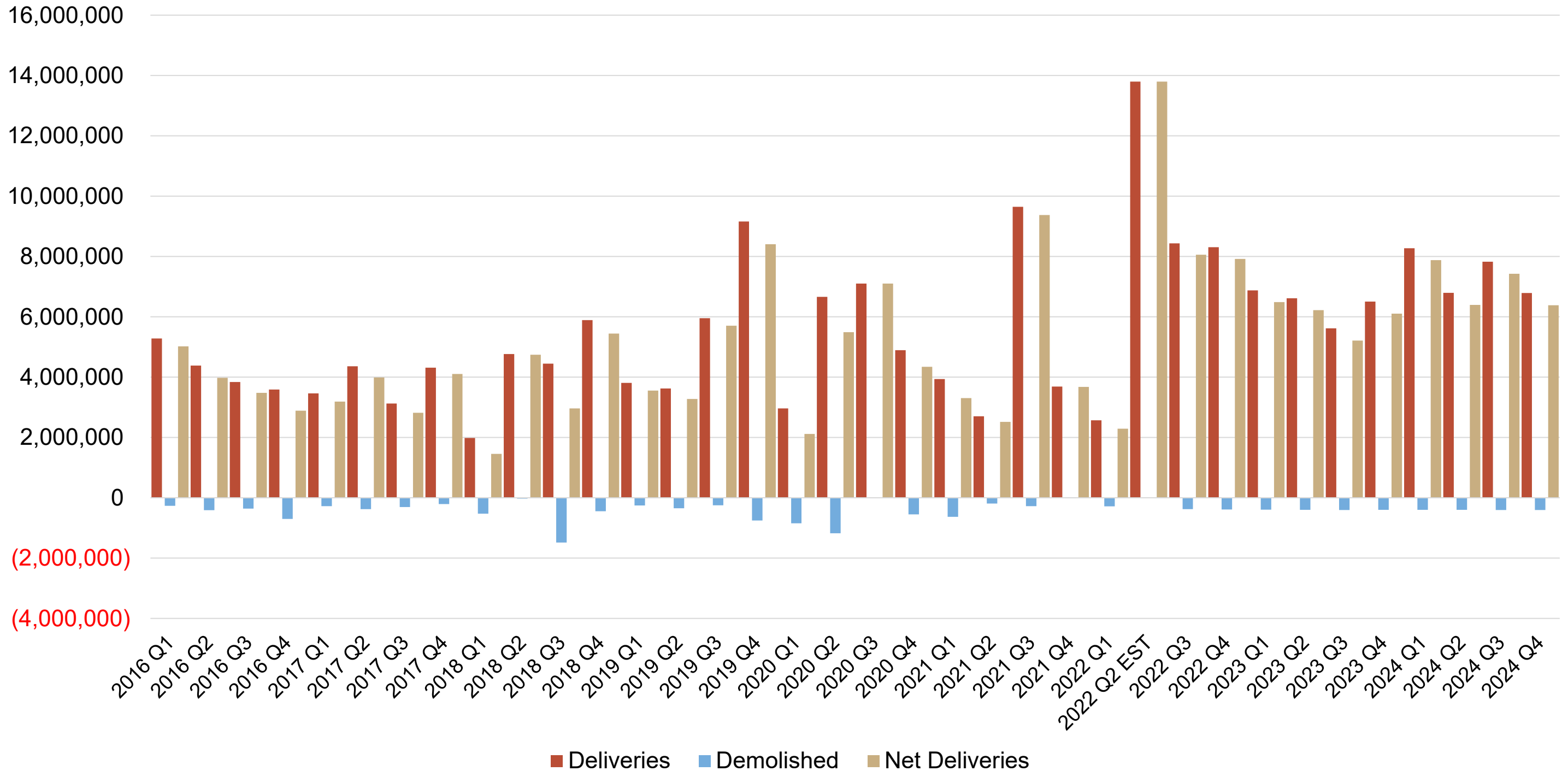


Industrial Market - National

For the better part of 2020, quarterly increases in demand exceeded increases in new supply. For all of 2021 new demand significantly outstripped new supply with the greatest increase in new demand in the recent past. Due to construction lag, new supply is projected to exceed new demand in the second quarter of 2022, leading to a modest increase in vacancy which will still remain well below historical levels. Demand and supply levels are expected to be more in balance going forward.

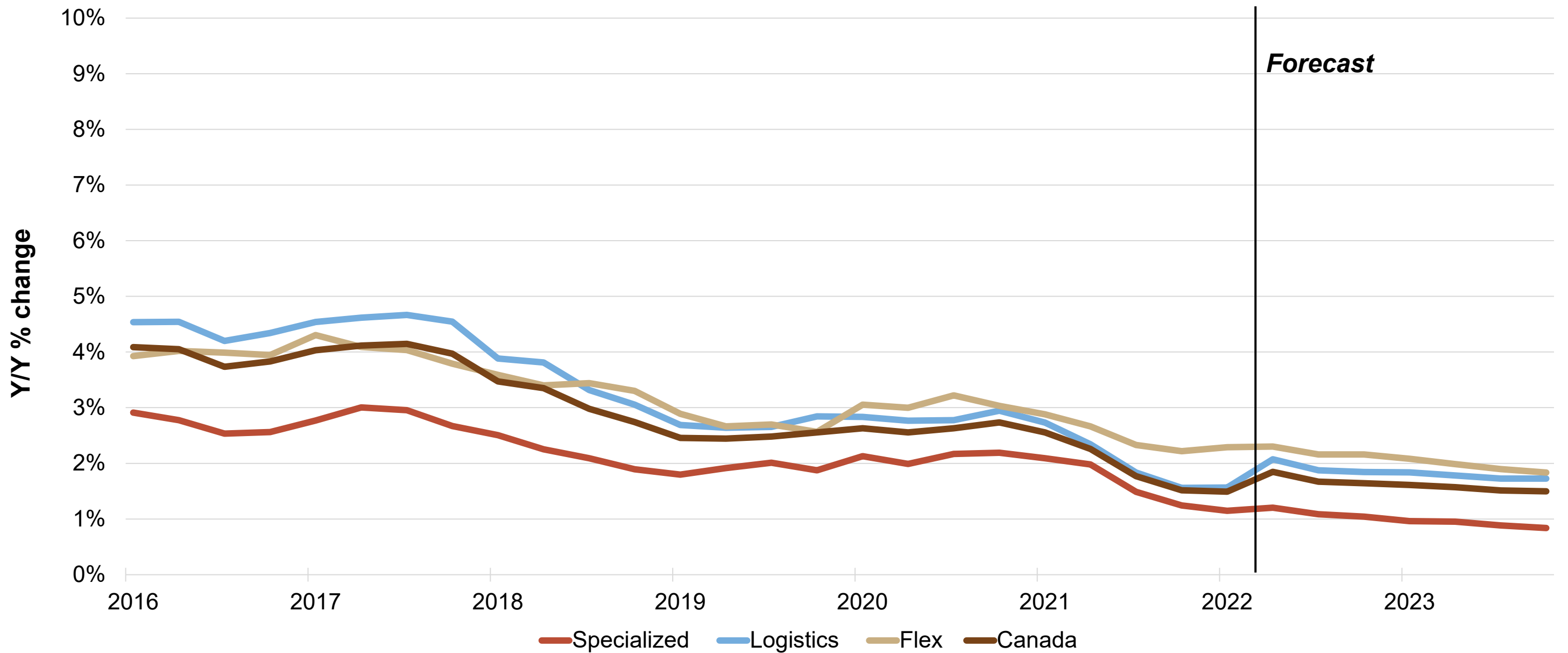


Canada Industrial, Deliveries & Demolitions



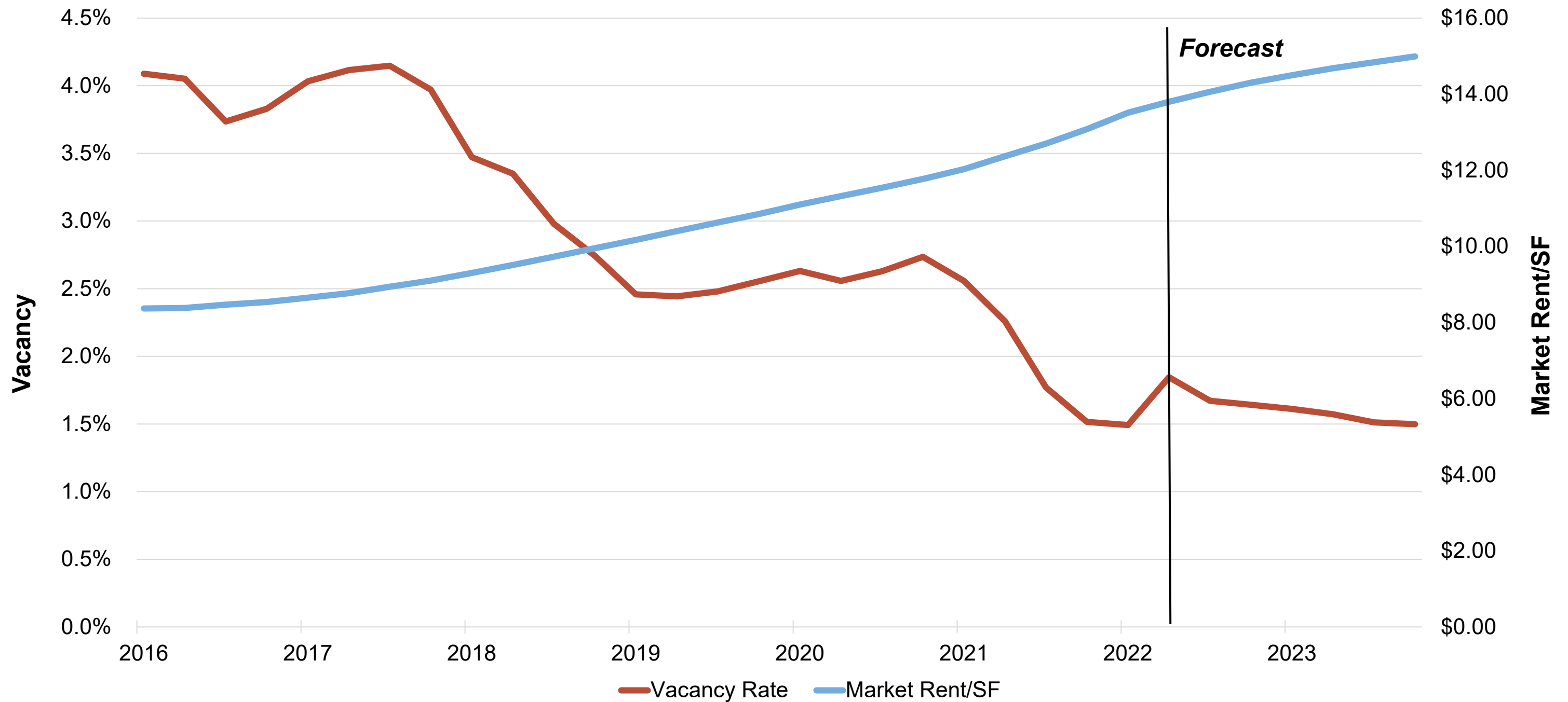
National Industrial Vacancy Rates

Vacancy rates in Q1 2022 continued to be at record lows after a substantial decrease in 2021. Not surprisingly, specialized properties have shown the lowest vacancy rate while anticipated new supply, largely to be in the logistics sector, should lead to a modest increase in rates.



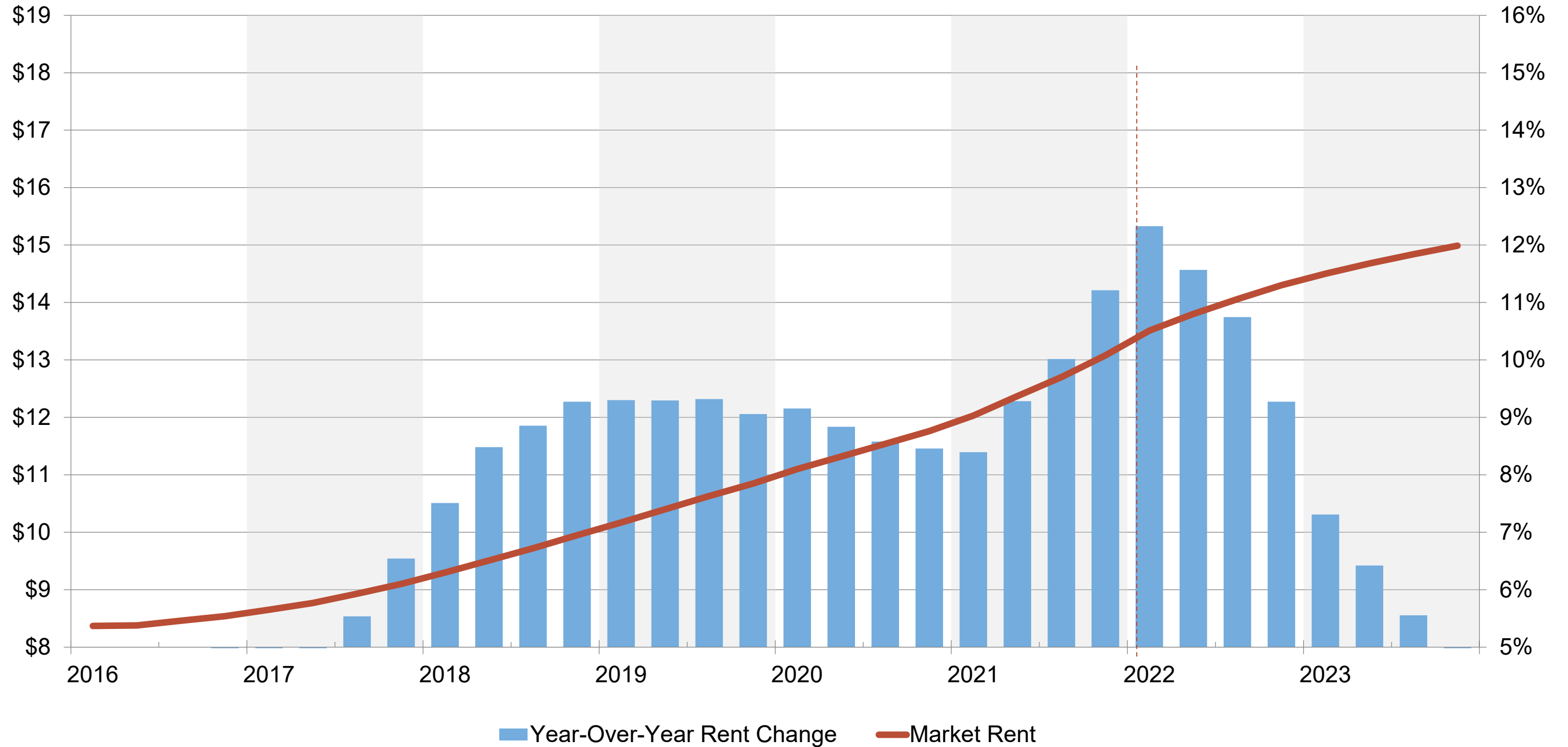
National Industrial Market Rent/SF & Vacancy

As expected, declining rates in vacancy have led to significant rental growth since 2019. This trend is expected to continue for the foreseeable future.



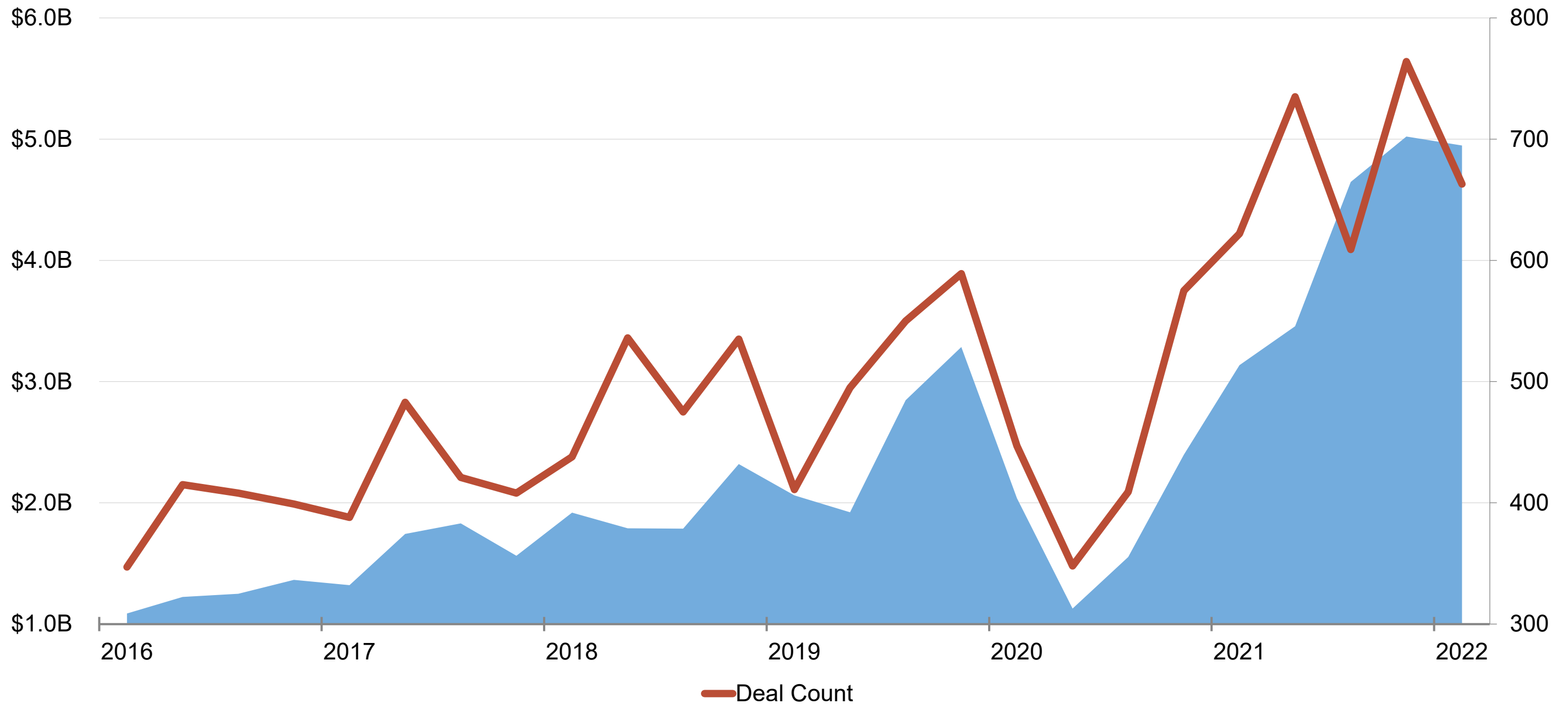
Canada Industrial Market Rent & Growth Rates

Canada Industrial Market Rent and Growth Rates



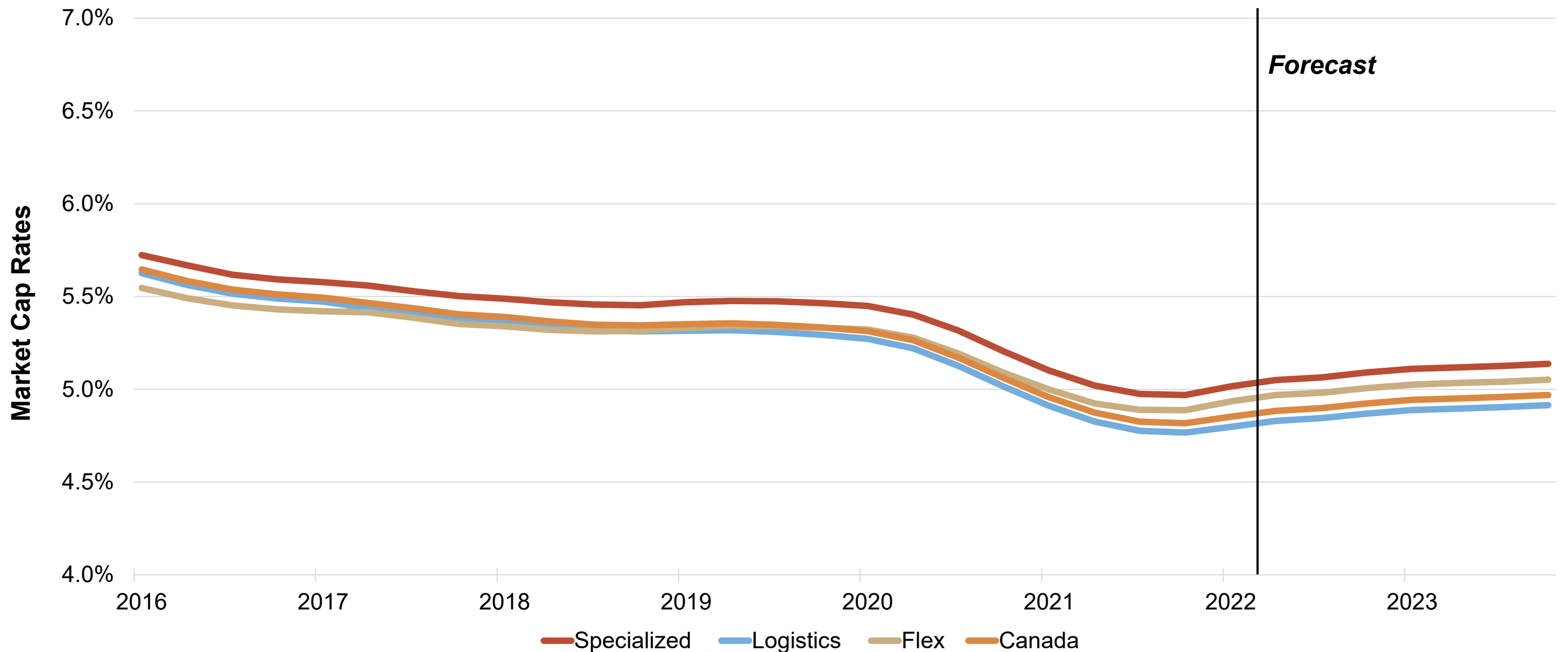
Canada Industrial Investment Volume & Deal Count

Transaction velocity has increased substantially since mid-2020 with deal counts at record levels. Not surprisingly, and as expected, investment volume is also at record levels.



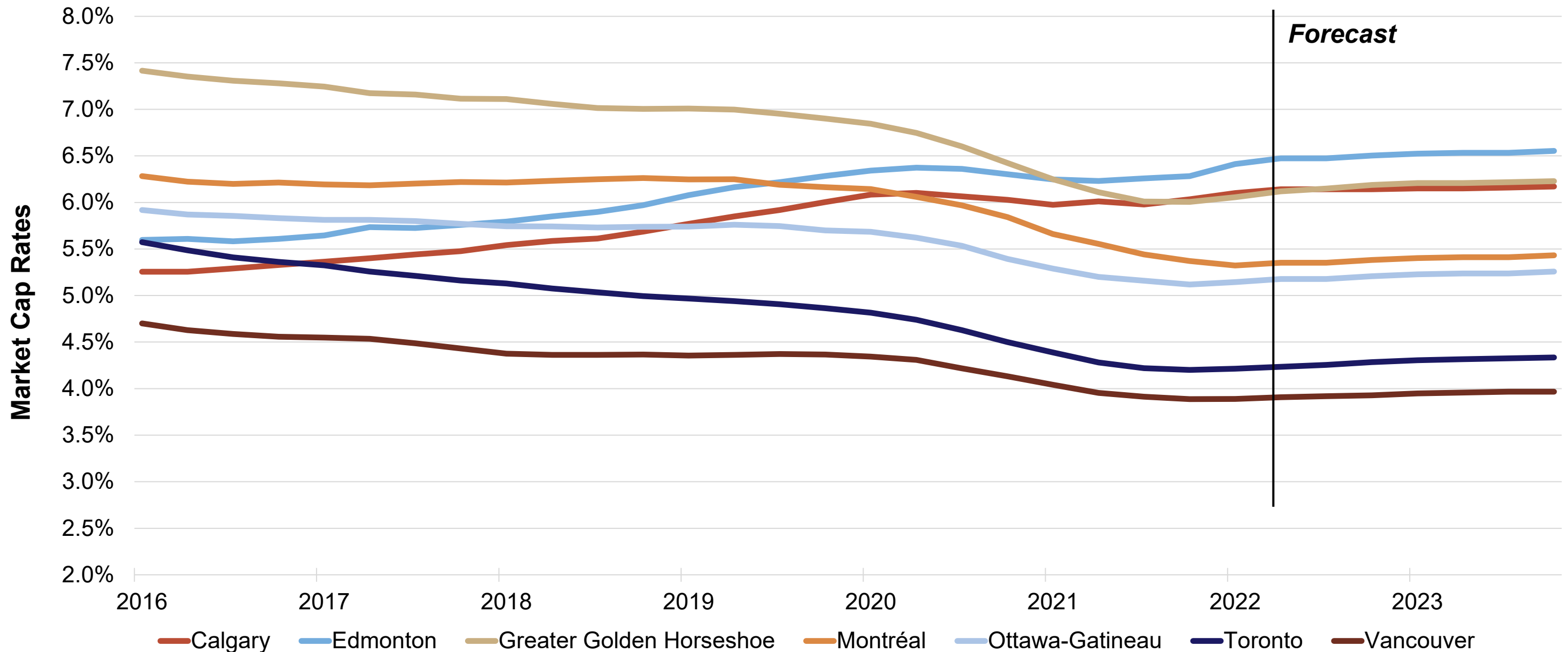
National Industrial Market Cap Rates

Since 2020 there has been significant cap rate compression across the board. As of Q1 2022, cap rates are at historical lows. Severe compression has occurred in very hot markets such as Montreal, Toronto and Vancouver. Cap rates are expected to increase slightly as vacancy increases modestly with new supply. Part of the cause of cap rate compression in most Canadian markets is that sellers and buyers believe that rents will continue to increase over the near term making initial or “going-in rates” more palatable as yields increase over time.

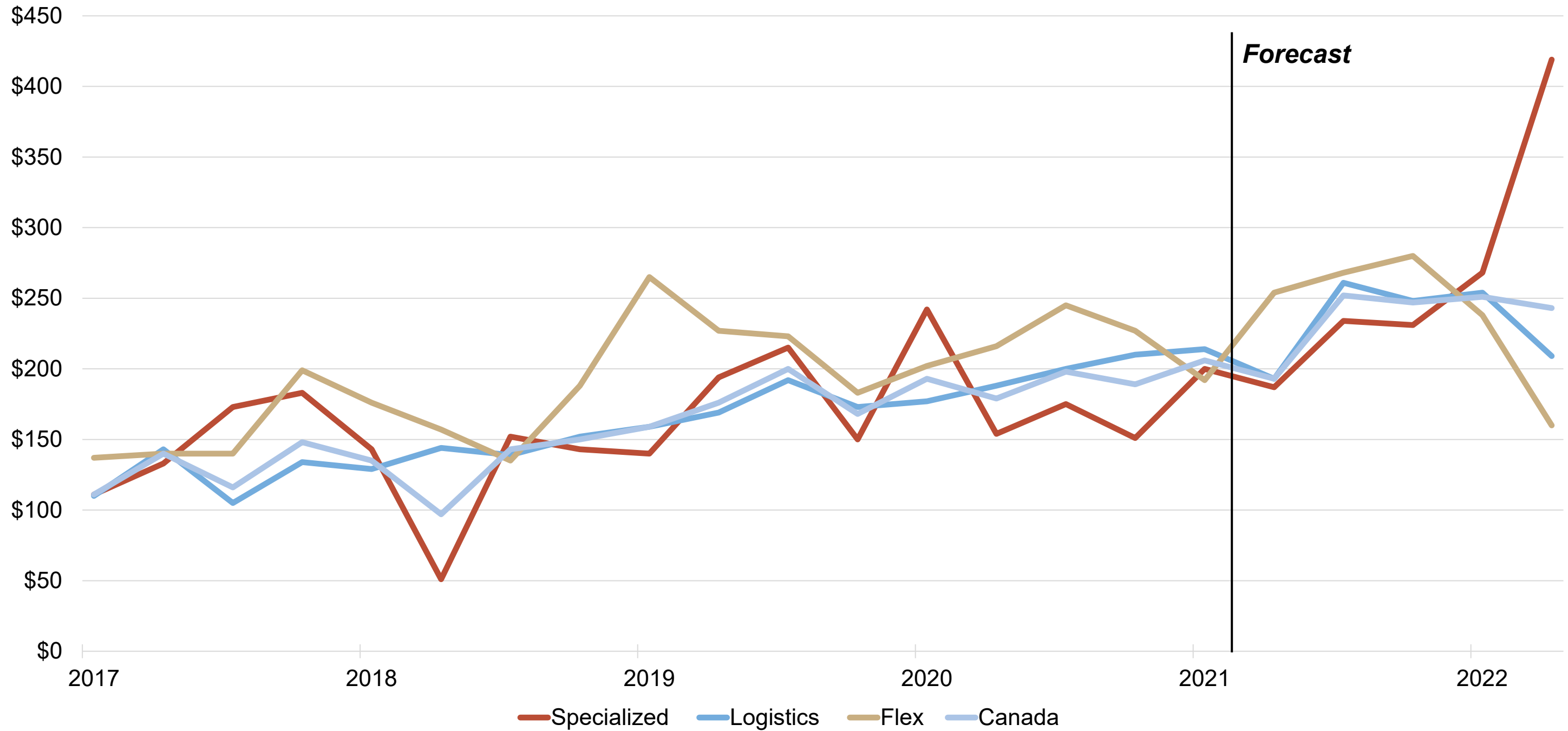


National Industrial Market Cap Rates

The increase in rents and the compression of capitalization rates has led to a substantial increase in value on a sale price per square foot basis. Value appreciation since 2019 is at record levels in the Montreal, Greater Golden Horseshoe, Toronto and Vancouver markets. As one can see, the economic rents required to justify the sale prices per square foot in the GTA and Vancouver are very high making locating outside these markets or elsewhere, a real consideration. It is recognized, however, that for a typical occupier, transportation costs represent a much larger portion of overall costs than occupancy costs, meaning it still pays to be close to your consumers.

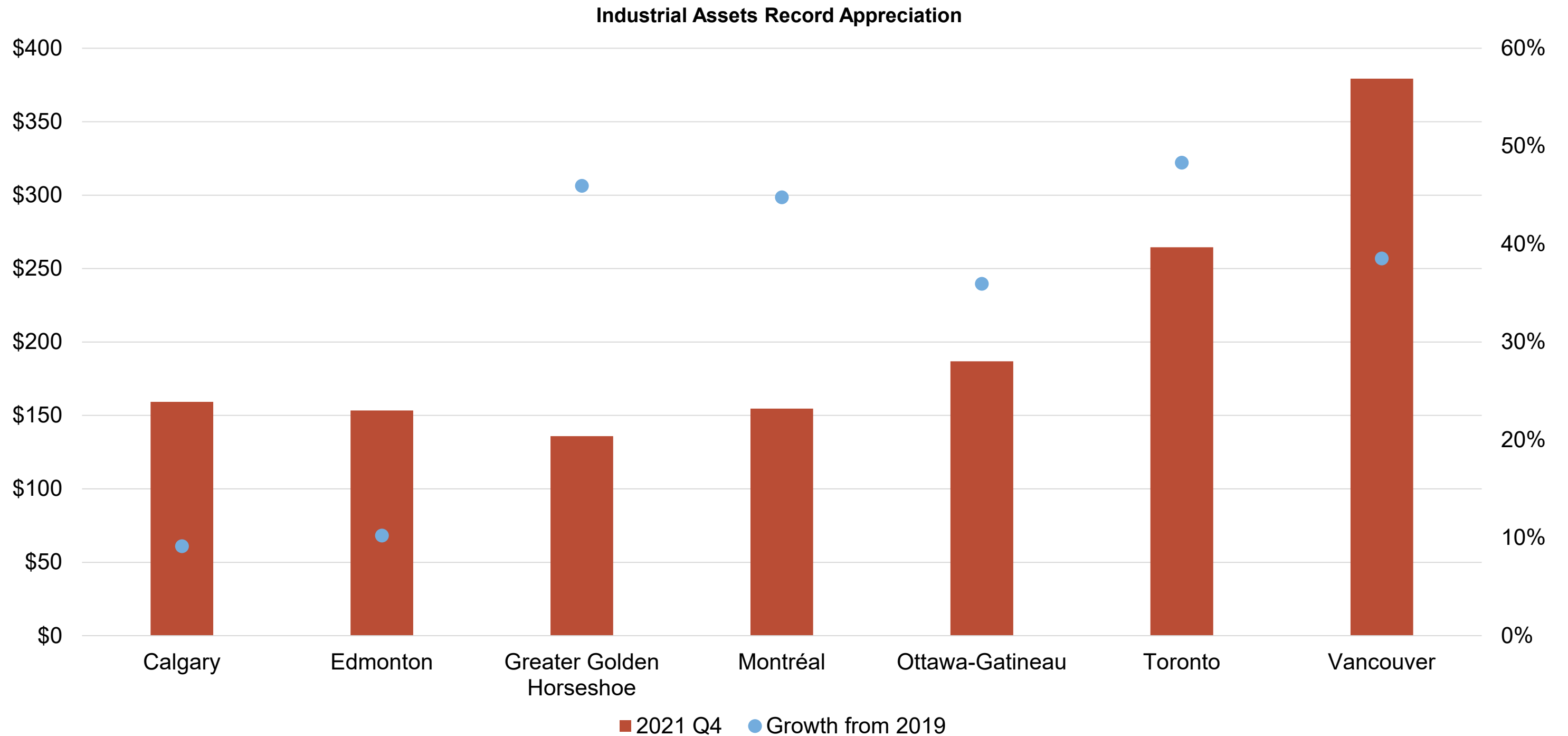


National Market Sale Price/SF



Industrial Assets Record Appreciation

For the rest of 2022 we expect to see continued increases in rents and industrial values.



BIOGRAPHY



Liam Brunner **AACI, P.App., MRICS**

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Market Leader – Canada

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YEARS OF EXPERIENCE

22+

AREAS OF SPECIALIZATION

Valuation & Advisory
Business Development

Liam Brunner, AACI, P.App., MRICS, joined Newmark Valuation & Advisory in 2018 as a Senior Managing Director and the Canadian Practice Leader. Liam is responsible for building Newmark’s valuation and advisory practice throughout Canada through staff recruitment and acquisitions. He also serves as the national lead for business development and platform execution. Liam brings to Newmark more than 20 years of experience providing real estate valuation and advisory services to a broad range of clients located throughout Canada.

Prior to Newmark, Liam served for a little more than six years as a partner in Deloitte’s Financial Advisory practice in Calgary, where he led the firm’s real estate valuation practice nationally and was responsible for consulting and advisory for Western Canada. In this position, Liam worked with his team to provide real estate valuation and advisory services for a wide range of special-purpose and investment-grade property classes. He also provided his considerable valuation and advisory expertise to some of Canada’s leading real estate companies and corporations.

Prior to Deloitte, Liam worked for six years as managing director for Western Canada at Cushman & Wakefield, where he provided oversight of business development, client assignments and service delivery across Western Canada. He also oversaw C&W’s team of valuation and advisory professionals. Clients included Canada’s leading financial and public institutions, real estate developers, investors and all levels of government. Before that, Liam served for seven years as a director with Colliers International, responsible for valuation and property tax services for southern Alberta.

Professional Affiliations

– Director and Education Chair, Appraisal Institute of Canada, 2005 – 2010; Admissions Board, 2003 – 2010

Licenses and Designations

– Member, Royal Institution of Chartered Surveyors (MRICS)
– AACI Designation, Accredited Appraiser Canadian Institute

Education

Liam earned a Bachelor of Economics degree from Concordia University and later obtained Certificates in Management and Applied Real Estate from McGill University.