

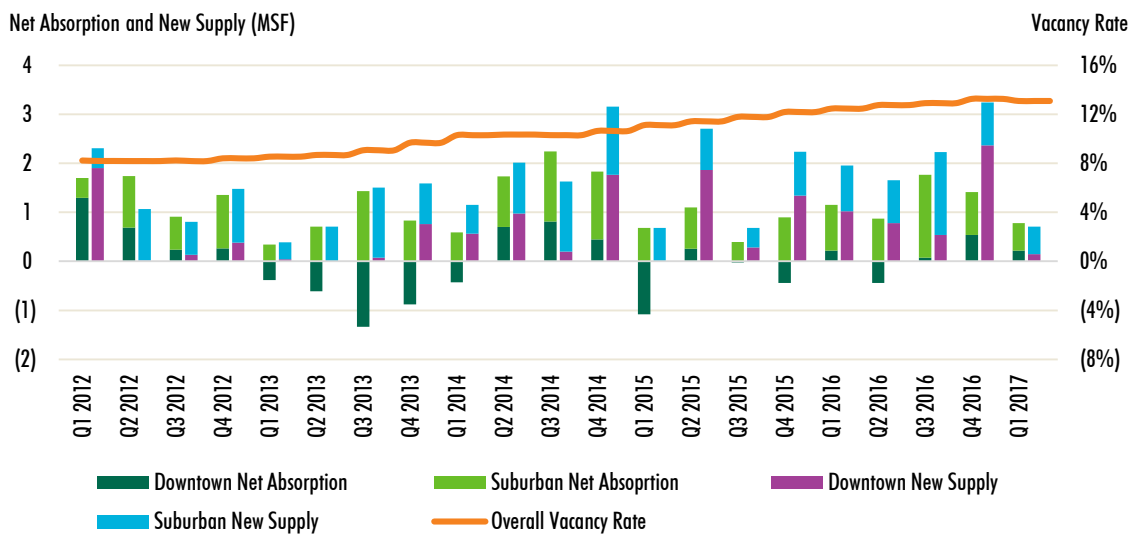
Canada Office, Q1 2017

First vacancy rate decrease since Q2 2014; supported by strong suburban leasing

▼ Vacancy Rate 13.1%
▲ Net Absorption 1.1 MSF
▲ Under Construction 10.2 MSF
▼ New Supply 0.7 MSF
▼ Class A Net Rent \$20.04 PSF

*Arrows indicate change from previous quarter.

Figure 1: Canada Office Supply and Demand



Source: CBRE Research, Q1 2017.

- The national vacancy rate dropped 20 bps to 13.1%, the first decrease in vacancy since Q2 2014.
- Strong suburban leasing activity drove down the overall vacancy rate, and accounted for 79.2% of net absorption, nationally.
- The lion-share of suburban leasing activity in Q1 2017 took place in Toronto, Vancouver and Montreal, collectively representing 1.2 million sq. ft. of positive net absorption.
- National office under construction levels increased by 4.4% over Q4 2016 to 10.2 million sq. ft., accounting for 2.2% of the total inventory.
- FIRE and Professional & Business Services industries accounted for 54,100 of the employment gains in Q1 2017, and were located primarily in Québec, British Columbia, and Ontario, which bodes well for office demand in these markets.

For the first time since Q2 2014, the national office vacancy rate dropped, decreasing by 20 basis points (bps) quarter-over-quarter to 13.1%. This was led by strong fundamentals in the suburban market, with quarterly declines in vacancy posted in five markets. This was most notably felt in suburban Montreal, Vancouver and Toronto, each with quarterly decreases of 100 bps, 80 bps and 60 bps, respectively, to 17.4%, 13.0% and 14.1%. Overall, Alberta continues to have a significant impact on the national office market, reporting near or record high vacancy rates of 23.9% in Calgary and 19.0% in Edmonton. Excluding these two markets, the overall vacancy rate would sit at 10.7%, 240 bps lower than its current rate. Further, the Alberta effect is most sharply felt in the downtown markets, where excluding the Alberta markets, the downtown vacancy rate would be 7.6%, 350 bps lower than the current rate of 11.1%.

SUPPLY

Following 3.2 million sq. ft. of new supply in Q4 2016, a scant 704,480 sq. ft. was delivered nationally in Q1 2017. Current under construction increased 4.4% over Q4 2016 to 10.2 million sq. ft., however is down 34.4% year-over-year. This accounts for 2.2% of total inventory, significantly below the five-year average of 4.0%. The bulk of construction is taking place in Toronto (27.6%), Calgary (23.3%), Vancouver (14.4%) and Montreal (13.2%), cumulatively 78.5% of the national total. Looking forward, as the most recent construction cycle has been delivered, improving leasing fundamentals can spur the next cycle. Construction is expected to pick up in Canada's leading markets with several projects breaking ground in coming quarters.

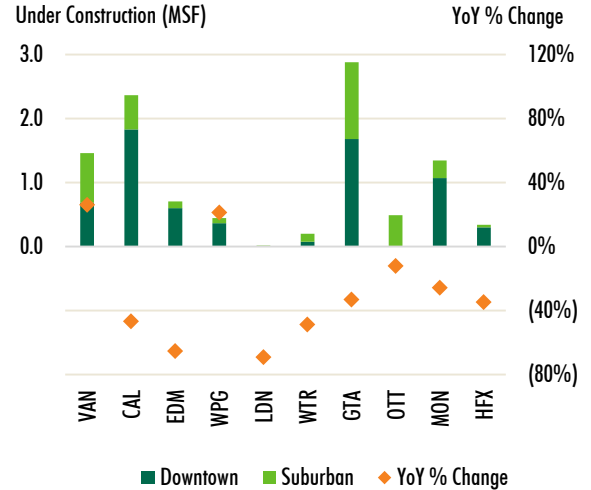
DEMAND

National net absorption in Q1 2017 totalled 1,057,678 sq. ft., driven by strong leasing activity in the suburban markets, which comprised 79.2% of overall absorption. This was led by Montreal and Vancouver, which saw strong activity for Class A product, as well as in the Toronto West suburban market of Burlington. We expect the suburban markets to continue to perform and impact the overall market positively as downtown markets tighten further, particularly in Toronto and Vancouver, and large blocks of space become scarce. As such, we are beginning to see a spillover effect with some tenants looking at the suburbs as a viable alternative where large space can be found at attractive rents relative to the downtown.

CANADIAN ECONOMY

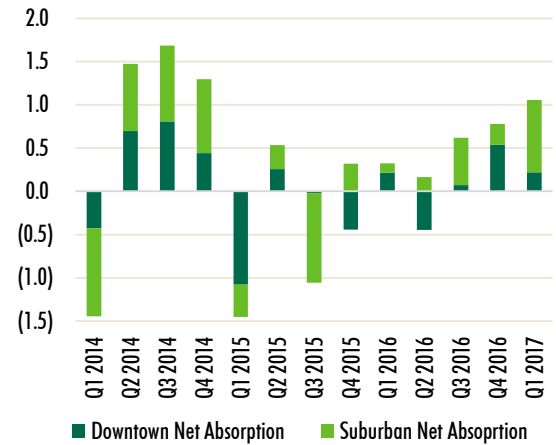
Coming off a strong finish to 2016, the Canadian economy continued to push ahead in Q1 with a run of positive, forecast-beating economic data. The latest GDP report for January 2017 had the economy growing twice as fast as expected with a 0.6% monthly rise on widespread growth across industries. Employment, particularly in full-time positions, remained healthy and added 83,000 jobs in the quarter. The office-centric FIRE and Professional & Business Services industries accounted for 54,100 of the employment gains in the quarter, and were located primarily in Québec, British Columbia, and Ontario. The strength in employment signals no slowdown in sight for the high demand for Office product in Canada. However, the Bank of Canada remains focused on the below-optimal inflation rate and weak wage growth, and is likely not raising interest rates in the near term.

Figure 2: Construction Pipeline



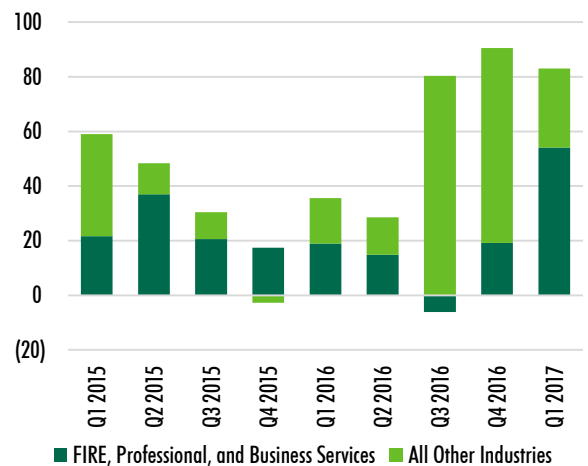
Source: CBRE Research, Q1 2017.

Figure 3: Net Absorption (million sq. ft.)



Source: CBRE Research, Q1 2017.

Figure 4: Canada Quarterly Employment Growth (000s of jobs)



Source: CBRE Research, Q1 2017.

Figure 5: Market Statistics Summary Q1 2017

Submarket	Inventory (SF)	Vacancy Rate (%)	Rate Change (bps YOY)	Sublet Space (% of vacant space)	Net Absorption (SF)	YTD Net Absorption (SF)	New Supply (SF)	Under Construction (SF)	Class A Net Rent (\$/SF)
VANCOUVER	47,381,342	10.1	(144)	13.3	420,457	420,457	141,480	1,460,336	26.39
Downtown	23,803,830	7.3	(155)	8.1	144,597	144,597	68,230	686,770	31.93
Suburban	23,577,512	13.0	(139)	16.2	275,860	275,860	73,250	773,566	24.00
CALGARY	65,926,580	23.9	404	36.5	(276,066)	(276,066)	-	2,364,273	19.90
Downtown	41,216,016	25.0	479	39.2	(33,500)	(33,500)	-	1,830,000	19.19
Suburban	24,710,564	21.9	279	31.4	(242,566)	(242,566)	-	534,273	20.75
EDMONTON	26,175,347	19.0	651	26.6	(335,811)	(335,811)	-	704,690	22.40
Downtown	16,135,041	18.6	747	29.0	(196,208)	(196,208)	-	600,000	23.95
Suburban	10,040,306	19.7	509	23.0	(139,603)	(139,603)	-	104,690	19.19
WINNIPEG	12,929,484	8.6	(190)	7.3	14,945	14,945	-	443,000	17.79
Downtown	9,439,521	9.0	(108)	6.0	(12,372)	(12,372)	-	365,000	17.79
Suburban	3,489,963	7.6	(426)	11.8	27,317	27,317	-	78,000	N/A
LONDON	5,832,338	17.4	319	7.9	(5,636)	(5,636)	40,000	15,630	15.28
Downtown	4,487,602	19.5	395	9.1	(13,598)	(13,598)	-	-	15.28
Suburban	1,344,736	10.4	106	0.0	7,962	7,962	40,000	15,630	N/A
WATERLOO REGION	14,115,799	14.9	166	8.6	44,936	44,936	63,000	202,108	13.88
Downtown	4,919,625	10.2	80	18.6	1,101	1,101	-	75,784	12.09
Suburban	9,196,174	17.4	208	5.5	43,835	43,835	254,424	126,324	14.27
TORONTO	160,333,365	9.0	(69)	17.3	246,243	246,243	39,000	2,882,078	19.88
Downtown	85,684,330	4.6	(77)	23.5	(96,450)	(96,450)	-	1,680,868	27.17
Suburban	74,649,035	14.1	(64)	15.1	342,693	342,693	39,000	1,201,210	17.36
OTTAWA	40,538,247	10.9	52	6.5	71,216	71,216	-	488,584	18.40
Downtown	18,706,965	9.7	18	8.4	69,397	69,397	-	-	23.34
Suburban	21,831,282	11.9	80	5.2	1,819	1,819	-	488,584	16.67
MONTREAL	73,335,612	12.9	(49)	8.7	942,798	942,798	301,000	1,347,200	18.79
Downtown	43,660,474	9.9	(88)	6.1	392,767	392,767	76,000	1,071,200	22.35
Suburban	29,675,138	17.4	(5)	10.8	550,031	550,031	225,000	276,000	15.60
HALIFAX	12,443,982	16.5	178	8.7	(65,404)	(65,404)	120,000	340,000	17.49
Downtown	4,983,725	17.4	289	14.4	(36,173)	(36,173)	-	300,000	19.18
Suburban	7,460,257	15.8	104	4.5	(29,231)	(29,231)	120,000	40,000	15.49
NATIONAL	459,012,096	13.1	62	19.7	1,057,678	1,057,678	704,480	10,247,899	20.04
Downtown	253,037,129	11.1	83	23.9	219,561	219,561	144,230	6,609,622	22.64
Suburban	205,974,967	15.5	34	16.0	838,117	838,117	751,674	3,638,277	18.27

Source: CBRE Research, Q1 2017.

Figure 6a: Notable Q1 2017 Downtown Office Lease Transactions

Size (SF)	Tenant	Market	Submarket	Address	Tenant Industry
325,000	Shopify	Ottawa	CBD	234 Laurier Ave W	Technology
176,663	TD Bank	Toronto	Financial Core	161 Bay St	Financial Services
98,324	Norton Rose LLP	Toronto	Financial Core	222 Bay St	Legal
77,182	WeWork	Vancouver	CBD	595 Burrard	Business Services
72,000	Ridgeback Resources	Calgary	Central Core	Eighth Avenue Place East	Energy
70,000	CIBC	Calgary	East End	The Bow	Financial Services
68,000	Indigo Books & Music	Toronto	Downtown West	602-620 King St W	Retail
47,116	Royal Bank of Canada	Toronto	Financial Core	200 Bay St	Financial Services
43,939	WSP	Vancouver	CBD	840 Howe	Engineering
43,887	Top Hat	Toronto	Bloor/Yonge	151 Bloor St W	Other

Figure 6b: Notable Q1 2017 Suburban Office Lease Transactions

Size (SF)	Tenant	Market	Submarket	Address	Tenant Industry
105,000	Benevity	Calgary	Northeast	Meredith Block	Technology
95,000	UofC	Calgary	Northwest	Smart Technologies	Other — Education
86,715	Ubisoft Divertissements Inc.	Montreal	Midtown	5445 De Gaspé Ave	Creative Industries
81,493	Studios Framestore	Montreal	Midtown	5445 De Gaspé Ave	Creative Industries
67,850	CDW	Toronto	427 Corridor	185 The West Mall	Technology
66,000	PCL	Toronto	Oakville	2201 Bristol Circle	Other
66,000	Stantec Consulting Ltd.	Toronto	Markham North/Richmond Hill	675 Cochrane Drive	Other
60,605	Attraction Média Inc.	Montreal	Midtown	5445 De Gaspé Ave	Creative Industries
56,000	Government of Canada	Toronto	Bloor/Islington	5343 Dundas St W	Government
52,446	BC Safety Authority	Vancouver	Burnaby	2889 E 12 th Ave	Government

Source: CBRE Research, Q1 2017.

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