

More than 450,000 sq. ft. of negative absorption was recorded in the final quarter of 2023 as a significant amount of space was delivered to the market.

Over 500,000 sq. ft. of new product has been delivered in the Northwest submarket in 2023 with a significant portion of that space awaiting new tenancies.

Leasing demand began to soften in the second half of 2023 for spaces over 20,000 sq. ft., which led to total market vacancy increasing by 70 bps to 3.7%. Despite an increase in vacancy, average asking net rental rates rose to \$11.16 per sq. ft., up from \$11.05 per sq. ft. in Q3 2023.

Construction cost increases have begun to level, creating a more predictable market for new development.

Demand from users in terms of the purchase of free-standing industrial buildings remains high, and few new offerings came to the market resulting in continued upward pressure on asking and sale prices. Despite higher interest rates, local industrial users continue to exhibit strong interest in acquiring buildings in strategic locations.

Palliser Furniture has made over 300,000 sq. ft. available at its Furniture Park facility for third-party tenants, which led to a 340 basis point (bps) increase in vacancy in the Northeast submarket.

The largest lease transaction in 2023 occurred in the fourth quarter as EH Price took 108,000 sq. ft. at 630 Kernaghan Avenue.

Industrial land sales were more limited as interest rates, high servicing costs, and development and building costs slowed the fast pace of new construction seen over the past several years. Land values increased modestly despite diminishing demand.

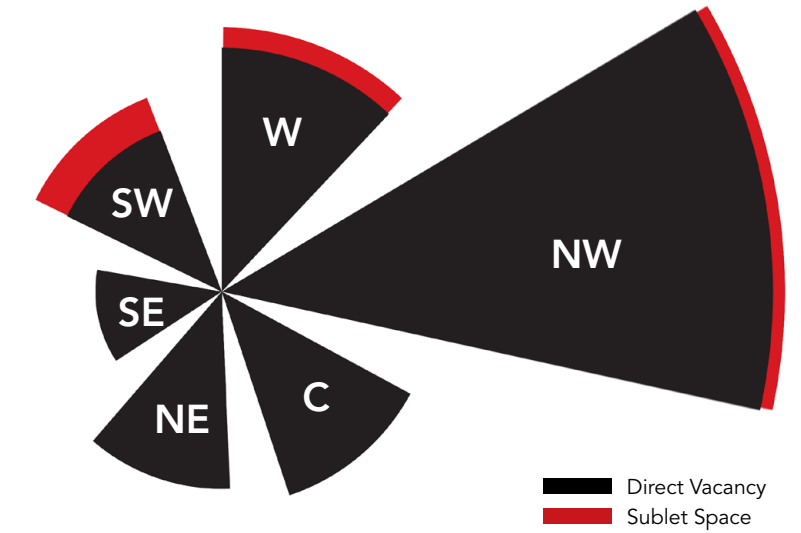
OUTLOOK

Rental rate increases for existing product will continue in 2024. However, we expect a more balanced market for Landlords and Tenants, particularly for larger bay spaces. Construction activity will slow in the first half of 2024 as the market absorbs the deliveries of late 2023. We do not expect deliveries to exceed the levels of 2022 and 2023.

KEY MARKET INDICATORS

TOTAL INVENTORY 81.2M (sq. ft.)	MARKET VACANCY 3.7%
UNDER CONSTRUCTION 263,600 (sq. ft.)	AVG. ASKING PRICE \$177.07 (per sq. ft.)
AVG. ASKING NET RENT \$11.16 (per sq. ft.)	ABSORPTION IN THE QTR -452,447 (sq. ft.)

TOTAL VACANCY BY SUBMARKET



MARKET ACTIVITY



Submarket	Vacancy Rate	Avg. Net Rent	Avg. Add'l Rent	Absorption
NORTHWEST	7.5% ↑	\$9.82 ↑	\$4.43 ↑	-167,218 ↓
WEST	2.0% ↓	\$10.88 ↑	\$4.93 ↑	136,037 ↑
SOUTHWEST	3.7% ↑	\$13.82 ↑	\$5.28 ↑	-39,400 ↓
NORTHEAST	3.7% ↑	\$13.81 ↓	\$4.11 ↓	-353,242 ↓
SOUTHEAST	2.6% ↑	\$11.04 ↓	\$5.62 ↓	45,845 ↓
CENTRAL	3.6% ↑	\$8.59 ↑	\$3.48 ↑	-74,469 ↓

HISTORICAL AVAILABILITY VS ABSORPTION & NEW SUPPLY

