



Q2 2022 Industrial Occupier

Calgary Industrial Market

An Insight into the Calgary Industrial Market

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Market Overview

Industrial Market

Calgary's industrial sector, comprised of 156 million square feet, has had remarkable activity since 2021. Spurred on by a dramatic increase in online shopping during the pandemic, demand for distribution space spiked, leading to the highest level of net absorption per annum, 8.7 million square feet in 2021, more than double the previous best year, 2018, which saw 3.8 million square feet absorbed. Moreover, 2022 is on pace for another impressive year of absorption, currently at 5.5 million square feet.

Vacancy has dropped to 2.95% from 7.1% registered in Spring 2020, while rental rates have started to climb as the result of the ongoing demand throughout the region. Currently, the average industrial rental rate sits at \$10.50/square foot net, well below the national average of \$14.10. Due partly to the oil and gas downturns predating the pandemic, vacancy had climbed, and rental rates stagnated relative to the consistent growth in other major markets. Rental rates across industrial property types (specialized, logistics, flex) are all now recording positive growth, with further growth projections throughout 2022, as high as 6.5% by year's end, with specialized buildings leading the way with gains potentially as high as 9% in the same time frame.

Calgary's industrial rents and prices are still considered good value and will remain so for the foreseeable future, despite continued growth projected for the year ahead. Over the last 12 months, market rental rates have climbed by 5.1% while market sale price per square foot has climbed by 8.5% to \$220. Both increases will likely moderate over the coming year as inflation and interest rates cool the leasing and investment markets. However, Calgary will continue to attract attention from tenants and investors chasing lower rental and business costs and equity, both of which are available in the Calgary area.

Currently, the Calgary region has 8.1 million square feet of space under construction, approximately 4.7% of the existing inventory, well above the national average of 2.5%. Nearly a third of the space underway is attributed to two Amazon buildings in the Dufferin industrial area of Southeast Calgary. The City of Calgary has identified over 2,000 gross acres of serviced industrial land, primarily located in the Northeast and Southeast quadrants, which will provide ongoing opportunities for future construction within city limits and those located in nearby communities that lay outside city boundaries.



Calgary's industrial market conditions are not expected to change dramatically in the coming year. Vacancy rates are projected to remain sub-4 %, while overall cap rates will plateau at the 6% range. Well-located high-quality assets will attract significant interest, achieving cap rates in the sub-5 % range. Relative to

other major industrial centres in Canada, opportunities will be more plentiful; however, the performance of the past year and the potential growth opportunities will continue to attract interest resulting in a highly competitive marketplace.

Calgary Industrial Notable Transactions

Tenant	Building Address	Area (sf)	Type
Wesco	1980 - 104 Avenue NE	182,875	Headlease
MTE Logistix Calgary Inc.	4990 - 68 Avenue SE	150,654	Headlease
Bolt Technologies Incorporated	4750 - 43 Street SE	99,832	Headlease
Krown Produce Inc.	4447 - 46 Avenue SE	75,437	Renewal
TransCanada Turbines	Crosspointe Industrial Park, Bldg 2	73,367	Headlease

Leasing

The Calgary industrial market has had a tremendous run in the past 12 months; 6.8 million square feet of net absorption over the past year has eclipsed the three year average of 4.1 million square feet. Vacancy has declined from 3.8% to the current 2.95%. The market now finds itself with an increasing need for additional space to capture the tenants that are either arriving from even tighter markets or are growing their businesses and services within the Calgary region.

Of the 8.1 million square feet currently under construction, 65% is expected to deliver before the end of 2022. Approximately 70% of the space has already been spoken for, indicating the much-more-active pre-leasing market in the past year. As a result, vacancy rates aren't expected to increase dramatically and are likely to remain in the mid-3 % range throughout the year.

Calgary continues to play an increasing role as a centre for distribution and logistics, accelerated by the pandemic demand from major distribution tenants. This activity is most apparent in the NE Outlying submarket, which contains properties in Rocky View County,

most notably in the Balzac area which is home to industrial parks such as High Plains, Interlink Logistics, and Crosspointe.

Activity over the past year includes a number of leases over 100,000 square feet, and as high as 585,000 square feet, which was taken by Winners at Interlink Logistics Park (292190 Nose Creek Blvd.). Walmart Canada also made a significant commitment, securing 430,000 square feet that will deliver in Q3 2022.

Channel Control Merchants, a reverse logistics firm took possession of 233,000 SF at 293026 Colonel Robertson Way, a potentially significant niche market that addresses the consumer return backlog and is an indicator of the ongoing demand for online shopping. Calgary was positioned well in terms of availability and stagnant rent growth for this accelerated spike in activity, resulting in many more retailers and distribution companies turning to the region to keep pace with the sudden uptick in online demand.

These newly built distribution centres are generating significant interest from investors looking to acquire high quality buildings



Industrial Supply

156,373,208 sf



Industrial Vacancy

2.95%



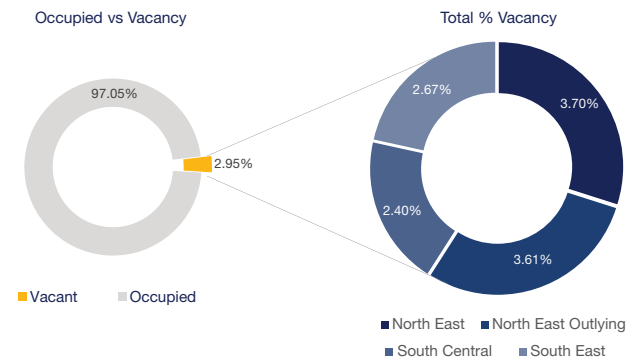
Overall Industrial Vacancy

4,178,229 sf

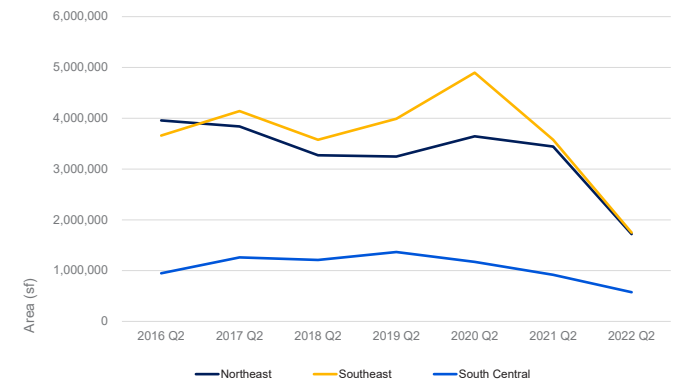
Q2 2022 Vacancy Summary, Industrial

QUADRANT	TOTAL INVENTORY (sf)	HEADLEASE (sf)	HEADLEASE (%)	SUBLEASE (sf)	SUBLEASE (%)	TOTAL (sf)	TOTAL (%)
North East	46,510,859	1,456,243	3.13%	264,491	0.57%	1,720,734	3.70%
North East Outlying	11,826,693	426,496	3.61%	0	0.00%	426,496	3.61%
South Central	24,031,773	548,211	2.28%	27,730	0.12%	575,941	2.40%
South East	65,616,899	1,628,507	2.48%	122,125	0.19%	1,750,632	2.67%
Other	8,386,984	118,772	1.42%	25,768	0.31%	144,540	1.72%
Total Industrial	156,373,208	4,178,229	2.67%	440,114	0.28%	4,618,343	2.95%

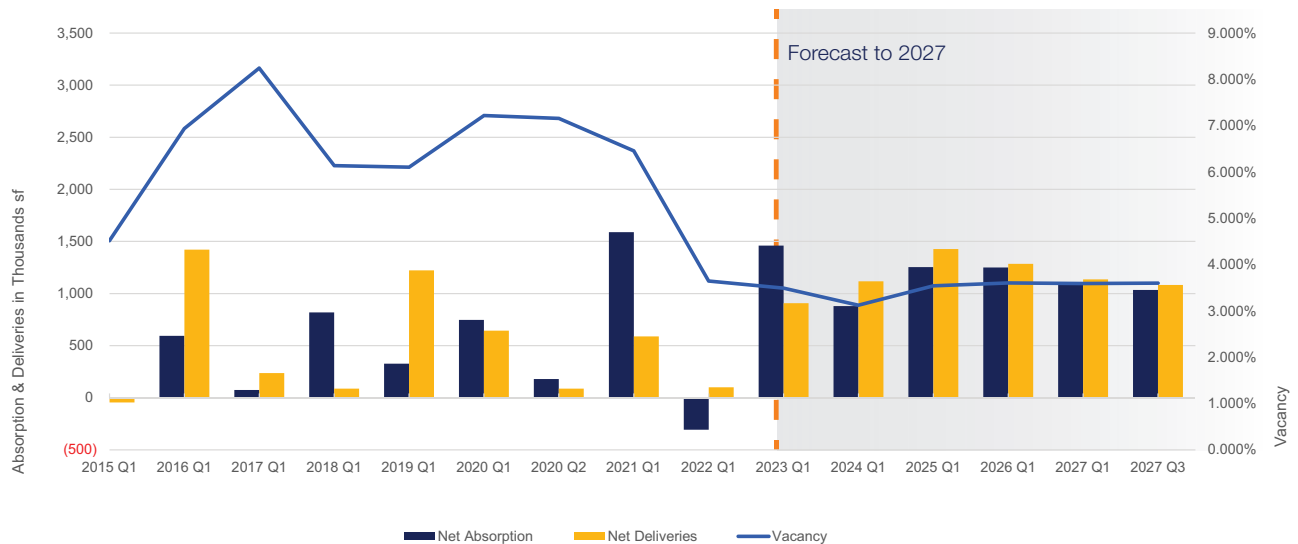
Breakdown of Vacancy by Submarket



Historical Industrial Vacancy



Historical Absorption and Forecast Reported Submarkets



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