

## CALGARY INDUSTRIAL

### Economic Indicators

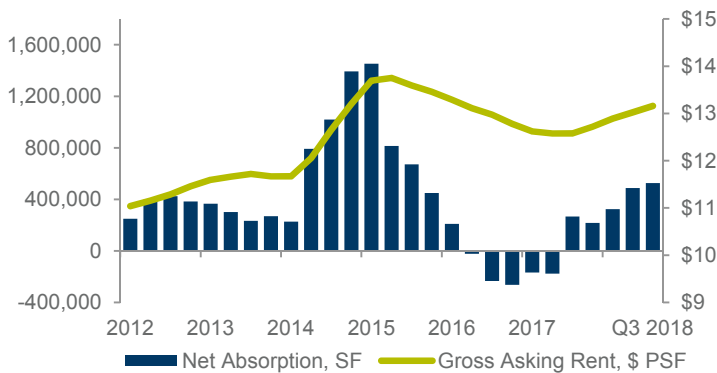
	Q3 17	Q3 18	12-Month Forecast
Calgary Employment	833K	828K	▲
Calgary Unemployment	8.5%	8.2%	▲
Canada Unemployment	6.2%	6.0%	▲

### Market Indicators

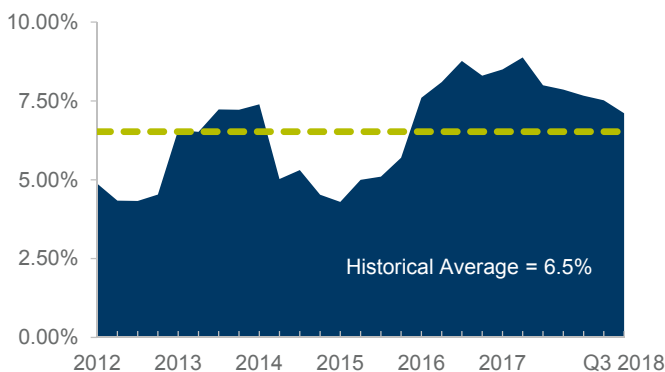
	Q3 17	Q3 18	12-Month Forecast
Overall Vacancy	8.0%	7.1%	▼
Net Absorption (sf)	1,118,925	1,272,460	▲
Under Construction (sf)	633,961	3,720,795	▲
Average Asking Rent*	\$8.90	\$9.03	▲

\*Rental rates reflect net asking \$psf/year

### Overall Net Absorption/Overall Asking Rent 4Q TRAILING AVERAGE



### Overall Vacancy



## Economy

Canada's unemployment rate improved from 6.2% in May 2018 to 6.0% in August 2018. In Alberta, Edmonton's unemployment rate declined 20 basis points from last quarter to 6.3%. However, the city of Calgary's unemployment rate headed in the opposite direction, jumping 50 basis points to climb from 7.7% to 8.2%. Despite this increase, there is room for optimism. Calgary's population continues to grow and Oil prices (West Texas Intermediate) remain strong. Setbacks on pipelines will continue to swell the gap between Western Canadian Select (WCS) and global benchmark prices. Despite WCS discounts widening, oil and gas companies in Calgary are becoming more optimistic. Statistics Canada has forecasted that growth in the Alberta economy between 2018-2021 will outpace Canada's GDP growth through improvement in labour markets and consumer demand.

## Market Overview

The Calgary industrial market has maintained its positive momentum with strong absorption and higher occupied space in the third quarter of 2018. Since hitting a low point in the second quarter of 2017, absorption has been positive for the past 5 quarters, and generated close to 1.3 million square feet (msf) this quarter; split between 858,000 square feet (sf) in the Northeast submarket and 460,000 sf in the Southeast submarket. Year-to-date, absorption is just shy of 1.8 msf versus 0.6 msf at this time last year. The market-wide vacancy rate has fallen 177 basis points since its peak of 8.9% in the second quarter of 2017 to now rest at 7.1%. Vacancy rates have improved to 8.1% in the Northeast and 6.6% in the Southeast; however the Central market continues to lag behind slightly, with negative absorption this quarter and a vacancy rate of 6.6%. The overall future vacancy rate remains stationary at 10.1% due to new construction expectations. Of the 2.2 msf under construction this year, 900,000 sf has been completed. Year-to-date 2018 leasing activity is 6.8 msf (comprised of more and smaller size leases) versus 5.7 msf at this point in 2017. To date in 2018, leasing activity has been split evenly with 3.0 msf in the Northeast and 2.9 msf in the Southeast. Net lease rates are currently stable with some upward trending, and landlords are reducing incentives such as free rent and improvement allowances as vacancy concerns diminish. Operating costs have continued to increase, mainly due to hikes in property taxes causing average gross rents to increase. The Northeast has been experiencing higher rents, currently at \$9.65 per square foot (psf), an 11% improvement since mid-2017, while the Southeast rental rate sits at \$8.20 psf, a 3.0% improvement since the low of mid-2017.

## Outlook

The Calgary industrial market remains active with small bay space appearing to be in higher demand than larger bay space. Companies continue to reduce costs and improve efficiencies. Decision makers are somewhat apprehensive on commitments, due to uncertainties with politics and the energy market; however metrics give the impression to have bottomed in 2017 with gradual improvements since. Developers have begun another construction cycle in anticipation of increasing activity in the coming quarters. An additional 1.3 msf of newly constructed space is expected to become available in the fourth quarter of 2018, with another 1.5 msf arriving over the course of 2019. Despite the arrival of this new space, vacancy rates are forecast to continue to decrease through strong levels of leasing activity and absorption. Cushman & Wakefield forecasts a measured strengthening in rental rates across all bays over the next 12 months.

MARKETBEAT

# Calgary, AB

Industrial Q3 2018



SUBMARKET	INVENTORY (SF)	YTD LEASING ACTIVITY (SF)	OVERALL VACANCY RATE	CURRENT QUARTER ABSORPTION (SF)	NET OVERALL ABSORPTION (SF)	YTD UNDER CNSTR (SF)	YTD TOTAL CNSTR COMPLETIONS (SF)	OVERALL WEIGHTED AVG. NET RENT*	OVERALL WEIGHTED AVG. ADD. RENT	OVERALL WEIGHTED AVG. GROSS RENT
Northeast	43,172,892	1,421,713	8.1%	857,661	1,139,261	2,683,782	791,963	\$9.67	\$4.41	\$14.07
Southeast	56,452,283	1,077,522	6.6%	459,720	553,364	1,037,013	122,721	\$8.19	\$3.79	\$11.98
Central	25,397,234	338,423	6.6%	-44,921	94,225	0	0	\$9.36	\$4.88	\$14.24
<b>CALGARY TOTALS</b>	<b>125,022,409</b>	<b>2,837,658</b>	<b>7.1%</b>	<b>1,272,460</b>	<b>1,786,850</b>	<b>3,720,795</b>	<b>914,684</b>	<b>\$9.03</b>	<b>\$4.26</b>	<b>\$13.29</b>

\*Rental rates reflect asking \$psf/year

## Key Lease Transactions Q3 2018

PROPERTY/AREA	SF	TENANT	TRANSACTION TYPE	SUBMARKET
1710 104 Street NE	296,085	TBC	Headlease	Northeast
1722 to 1882 118 Avenue NE	263,115	TBC	Headlease	Northeast
8801 60 Street SE	245,552	TBC	Headlease	Southeast
12285 18 Street NE	140,054	TBC	Headlease	Northeast
3001 to 3005 Shepard Place SE	96,394	TBC	Sublease	Southeast

## Key Sales Transactions Q3 2018

PROPERTY	SF	SELLER   BUYER	PRICE   \$PSF	SUBMARKET
8080 36 Street SE	403,232	Investors Group   Nicola Crosby	\$37,900,000   \$94	Southeast
640, 720, 820 28 Street NE	172,536	Slate   CCP Canmarc GP Ltd.	\$22,000,000   \$128	Northeast
7071 112 Avenue SE	71,174	Emcor Development   Hayley Industrial Electronics	\$11,000,000   \$155	Southeast
10450 50 Street SE	65,935	Beedie Group   JCS Investments Inc.	\$11,033,775   \$167	Southeast

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