

CALGARY INDUSTRIAL

Economic Indicators

	Q4 17	Q4 18	12-Month Forecast
Calgary Employment	827K	842K	▲
Calgary Unemployment	7.8%	7.9%	▲
Canada Unemployment	5.7%	5.6%	▲

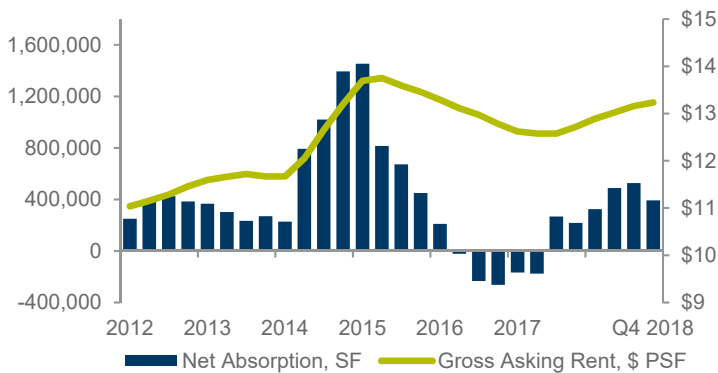
Market Indicators

	Q4 17	Q4 18	12-Month Forecast
Overall Vacancy	7.9%	7.5%	▼
Net Absorption (sf)	319,495	-216,992	▲
Under Construction (sf)	1,326,434	3,518,251	▲
Average Asking Rent*	\$9.00	\$9.07	▲

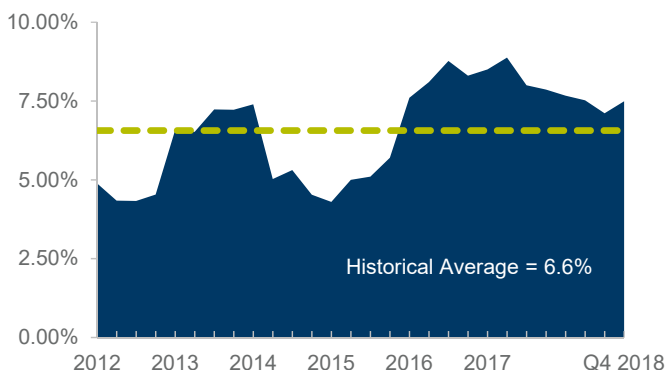
*Rental rates reflect net asking \$psf/year

Overall Net Absorption/Overall Asking Rent

4Q TRAILING AVERAGE



Overall Vacancy



Economy

The Alberta economy experienced a shock in the fourth quarter of 2018 with a 44% decline in the West Texas Intermediate Crude (WTI) oil price and a 14% drop in the S&P/TSX Composite Index. Despite Calgary's unemployment rate improving 30 basis points to 7.9% (Edmonton remained flat at 6.2%), Alberta's unemployment rate remains among the highest in the country, trailing only Newfoundland and Labrador.

Early in 2019, the S&P Index regained most of the deterioration while the WTI price has rebounded 30%. A mandatory Alberta production cut starting January 1st, 2019 appears to have aided an improvement in the Western Canadian Select oil price, but pipeline setbacks will continue to weigh on oil export. A government investment in rail cars is expected to ease short-term issues and in December 2018 Ottawa announced a \$1.6 billion investment into the energy sector through Export Development Canada (Oxford Economics). Statistics Canada has forecasted that Alberta's economic growth will outpace Canada's GDP growth over the next three years.

Market Overview

The Calgary industrial market took a breather after five straight quarters of positive absorption. Total absorption was negative 217,000 square feet (sf), largely due to 278,000 sf of new space becoming available in the Southeast. Leasing activity remained strong at 2.0 million square feet (msf) in the fourth quarter of 2018, compared to 1.8 msf one year ago and 2.8 msf in the third quarter of 2018. Much of the leasing activity was in the Southeast at 1.0 msf; versus 0.7 msf in the Northeast and remainder in Central.

The overall vacancy rate staggered slightly, slipping from 7.1% in third quarter to 7.5% in the fourth quarter of 2018. In the Northeast the vacancy rate has declined for three straight quarters, despite the arrival of 792,000 sf of new supply in the third quarter of 2018. The vacancy rate in the Southeast dropped significantly last quarter, but has now returned to the 2018 average of 7.5% (excluding the third quarter). New supply in the Southeast totaled 400,000 sf in 2018, with 278,000 sf of that total completed in the fourth quarter.

The future availability rate (which includes product set to become available in the next six months) has decreased from 10.1% to 9.3%, suggesting higher leasing to begin 2019. Leasing activity was 2.3 msf in the first quarter of 2018 and it appears 2019 will begin with similar strength.

Net lease rates remained stable in 2018 and landlords' incentives have been decreasing as vacancy concerns diminish. Asking rates appear to have bottomed out early in 2018 and currently are trending back upwards. Operating costs, however, have increased due to increased taxation of suburban land.

Outlook

The Calgary industrial market remains active despite uncertainty surrounding the energy market, interest rates expectations, and politics. Pipeline disputes will continue to hamper energy investment however transportation and warehousing sectors are expected to excel in the near term. Two interest rate hikes are projected in 2019 and investing in the market is expected prior to rate announcements. The two elections (federal and provincial) in 2019 will ultimately influence the economy but activity is expected to be business as usual; maintaining a slow recovery over the year.

Planned new construction currently sits at 3.5 msf with 1.5 msf expected to arrive over the course of 2019. Despite the new supply, 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 markets over the next 12 months with a continuing slow recovery from 2016 lows.

MARKETBEAT

Calgary, AB

Industrial Q4 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	3,696,708	8.0%	62,063	1,201,324	2,698,528	791,963	\$9.69	\$4.42	\$14.11
Southeast	56,729,959	3,920,863	7.6%	-315,344	238,020	819,723	400,397	\$8.23	\$3.88	\$12.10
Central	25,397,234	1,198,584	6.5%	36,289	130,514	0	0	\$9.47	\$4.88	\$14.34
CALGARY TOTALS	125,300,085	8,816,155	7.5%	-216,992	1,569,858	3,518,251	1,192,360	\$9.07	\$4.28	\$13.36

*Rental rates reflect asking \$psf/year

Key Lease Transactions Q4 2018

PROPERTY/AREA	SF	TENANT	TRANSACTION TYPE	SUBMARKET
7007 84 Street SE	138,800	TBD	Headlease	Southeast
89 Freeport Boulevard NE	77,397	Ryder Logistics & Transportation Ltd.	Headlease	Northeast
2626 Country Hills Boulevard NE	61,738	Wheels International Inc.	Headlease	Northeast
5441 52 Avenue SE	54,348	Russel Metals	Headlease	Southeast

Key Sales Transactions Q4 2018

PROPERTY	SF	SELLER BUYER	PRICE \$PSF	SUBMARKET
Electrolux Site (72 nd – 74 th Street & 108 Avenue SE)	226,897	bcIMC Realty Corporation Canal Industrial Nominee Inc.	\$36,700,000 \$162	Southeast
1802 & 1810 Centre Avenue NE	214,463	KingSett Manulife Financial	\$36,300,000 \$169	Northeast
10774 42 Street SE	162,724	Macbain Properties Ltd. Valard Construction Ltd.	\$21,400,000 \$132	Southeast
1020 68 Avenue NE	148,373	Private Starlight Investments	\$26,750,000 \$180	Northeast

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