

CALGARY INDUSTRIAL

Economic Indicators

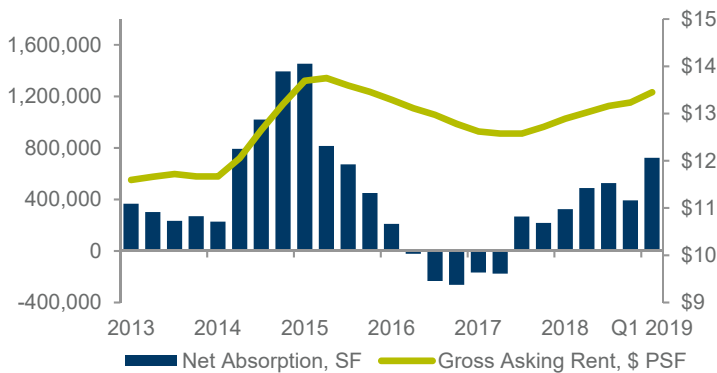
	Q1 18	Q1 19	12-Month Forecast
Calgary Employment	844.5K	845.5K	▲
Calgary Unemployment	7.9%	7.6%	▲
Canada Unemployment	5.8%	5.8%	▲

Market Indicators

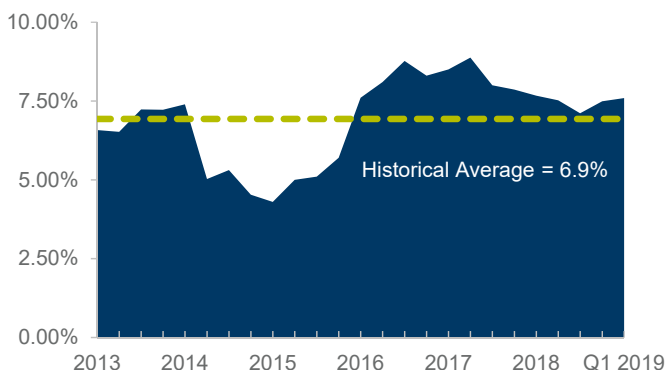
	Q1 18	Q1 19	12-Month Forecast
Overall Vacancy	7.7%	7.6%	▼
Net Absorption (sf)	327,387	1,649,586	▲
Under Construction (sf)	1,852,989	3,130,273	▼
Average Asking Rent*	\$9.05	\$9.46	▲

*Rental rates reflect net asking \$psf/year

Overall Net Absorption/Overall Asking Rent 4Q TRAILING AVERAGE



Overall Vacancy



Economy

The end of 2018 was a shock to Alberta's economy with a 44% decline in the West Texas Intermediate Crude (WTI) oil price and a 14% drop in the S&P/TSX Composite Index. However as the first quarter of 2019 drew to a close, WTI price has rebounded 40% and the S&P/TSX Composite Index 15%. Calgary's unemployment rate also improved 30 basis points to 7.6% in the first quarter, although Edmonton weakened 80 basis points to 7.0%, leaving Alberta's unemployment rate of 7.0%; among the highest in the country only better than the east coast provinces.

Statistics Canada forecasts Alberta's economic growth to outpace Canada's GDP growth over the next three years. Canada's economic growth is expected to be moderate at 1.9% this year followed by 2.1% in 2020, while Alberta's is expected to rebound from a weak 1.3% in 2019 surging to 3.5% in 2020.

Market Overview

The Industrial market continues to demonstrate strong growth with a first quarter 2019 vacancy rate of 7.6%. Vacancy did climb slightly from the 7.5% vacancy rate last quarter; however, 1.9 million square feet (msf) of new supply was added to inventory in the first quarter of 2019, with the majority of the space occupied upon completion. As a result absorption was an impressive 1.6 msf, quite noteworthy compared to a negative 216,992 square feet (sf) last quarter and a total of 1.6 msf in 2018. Construction projects being built on speculation (without tenants in place) has slowed since 2016, although these projects did see a rebound in late 2018.

Toronto, Vancouver and Montreal have historically been the cities to invest in industrial property; however, Calgary has proven to be a hot commodity and is trending higher. Behind the demand for industrial space are eCommerce and the distribution sector, as tenants are seeking state-of-the-art distribution and warehouse space with greater efficiency as the key driver. Calgary's secondary and tertiary markets are also experiencing heavy demand, which has resulted in tighter market conditions and rent growth.

Since the beginning of the oil price downturn in 2015, industrial operating costs weakened to \$3.61 per square foot (psf) in the second quarter of 2016, but have steadily increased since; currently sitting at \$4.59 psf; Net asking rents over the downturn bottomed out at \$8.71 psf in the second quarter of 2017, but have slowly recovered and took a larger leap in the first quarter of 2019 to \$9.46 psf - largely driven by the arrival of new supply.

Outlook

The current market is proving difficult to read with an uptick in activity but no real sense of urgency for deals to get done. Perhaps the uncertainty surrounding the 2019 elections (provincial and federal) have infused an attitude of 'wait-and-see'. As the economy is still based largely on oil prices, pipeline disputes will continue to hamper energy investment although the transportation and warehousing sectors are expected to excel in the near term.

Cushman & Wakefield forecasts the Calgary industrial market to remain active in 2019 despite uncertainty surrounding the energy market and politics. The new provincial government elected and federal election this fall will ultimately influence the economy but activity is expected to be business as usual; maintaining a slow recovery over the year.

New construction currently sits at 3.1 msf with another 4.8 msf in the planning stages. Despite the new supply, vacancy rates are estimated 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 Q1 2019



SUBMARKET	INVENTORY (SF)	YTD LEASING ACTIVITY (SF)	OVERALL VACANCY RATE	CURRENT QUARTER ABSORPTION (SF)	YTD NET OVERALL ABSORPTION (SF)	UNDER CNSTR (SF)	YTD TOTAL CNSTR COMPLETIONS (SF)	OVERALL WEIGHTED AVG. NET RENT*	OVERALL WEIGHTED AVG. ADD. RENT	OVERALL WEIGHTED AVG. GROSS RENT
Northeast	44,964,830	964,787	8.6%	1,382,024	1,382,024	1,932,961	1,791,938	\$9.81	\$4.59	\$14.40
Southeast	56,886,634	1,134,697	7.2%	335,573	335,573	1,107,560	156,675	\$9.04	\$4.45	\$13.49
Central	25,397,234	202,661	6.7%	-68,011	-68,011	89,752	0	\$9.53	\$4.84	\$14.37
CALGARY TOTALS	127,248,698	2,302,145	7.6%	1,649,586	1,649,586	3,130,273	1,948,613	\$9.46	\$4.59	\$14.05

*Rental rates reflect asking \$psf/year

Key Lease Transactions Q1 2019

PROPERTY/AREA	SF	TENANT	TRANSACTION TYPE	SUBMARKET
4660 to 4770 68 th Avenue SE	128,215	MTE Logistix Inc.	Headlease	Southeast
4100 106 th Avenue SE	88,194	2151934 Alberta Inc.	Headlease	Southeast
7151 44 th Street SE	78,698	WTS Distribution Inc.	Renewal	Southeast
19 Aero Drive NE	65,600	CNOOC / Nexen	Sublease	Northeast

Key Sales Transactions Q1 2019

PROPERTY	SF	SELLER BUYER	PRICE \$PSF	SUBMARKET
6060 90 th Avenue SE (Section 23)	849,338	bcIMC Realty Corporation Summit REIT	\$79,550,000 \$94	Southeast
7505 48 th Street SE	622,754	HOOPP Realty Inc. BIMCOR	\$77,175,000 \$124	Southeast
8010 44 th Street SE	23,042	Mountain Properties Inc. Brandell Diesel	\$5,375,000 \$233	Southeast
285151 Kleysen Way	22,550	RPM Trailer Repair Service Clearview #3 Properties Ltd.	\$4,500,000 \$200	Southeast

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