

CALGARY INDUSTRIAL

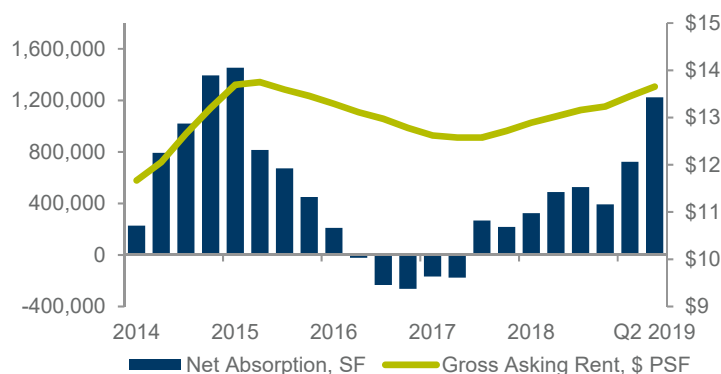
Economic Indicators

	Q2 18	Q2 19	12-Month Forecast
Calgary Employment	841K	874K	▲
Calgary Unemployment	7.7%	7.0%	▲
Canada Unemployment	5.9%	5.4%	▲

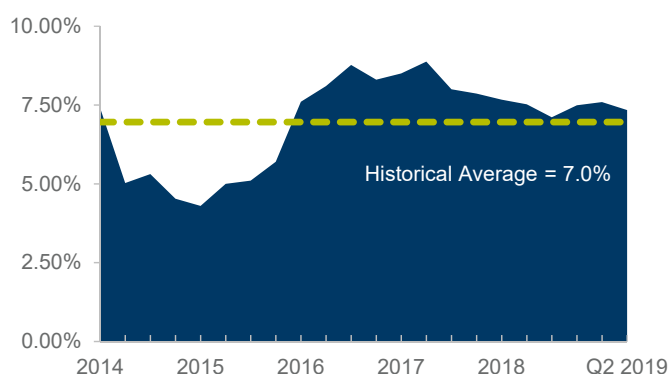
Market Indicators

	Q2 18	Q2 19	12-Month Forecast
Overall Vacancy	7.5%	7.3%	▼
Net Absorption (sf)	187,003	2,188,047	▲
Under Construction (sf)	1,826,692	6,386,658	▼
Average Asking Rent*	\$8.93	\$9.38	▲

*Rental rates reflect net asking \$psf/year

Overall Net Absorption/Overall Asking Rent
4Q TRAILING AVERAGE

Overall Vacancy



Economy

Provincially, the unemployment rate for the second quarter of the year registered at 6.7% -- among the highest in the country and only better than the east coast provinces. While Calgary's unemployment rate remained above the provincial average, it did register a 60-basis-point (bps) improvement quarter over quarter, closing the second quarter of 2019 at 7.0%. Statistics Canada forecasts Alberta's economic growth to outpace the national average over the next three years, as Canada is expected to be a moderate 1.8%, while GDP growth in Alberta is expected to hit 3.5% in 2020. Total employment in Calgary is expected to grow by an annual rate of 1.6%, adding an expected 108,500 jobs over the next five years.

Market Overview

The Industrial market continued to demonstrate strong growth throughout the second quarter of 2019. The value of building permits in Alberta remained on a steady rise since bottoming at \$325 million in February 2019; increasing 9.0% in March, 18.6% in April, and 9.2% in May. The year-over-year value of non-residential permits in Alberta is up 13.6% since May 2018. While speculative construction projects slowed in 2016, the number rebounded since the beginning of 2019. Calgary's industrial construction completions totaled 2.2 million square feet (msf) in the second quarter, 4.0 msf year-to-date, with another 6.4 msf in the planning stages.

Behind the demand for industrial space are eCommerce and the distribution sectors, as tenants continued to seek state-of-the-art distribution and warehouse space with greater efficiencies. Calgary's secondary and tertiary markets also experienced heavy demand, which resulted in tighter market conditions and rental growth. Overall vacancy rate declined 20 bps year over year, closing the second quarter at 7.3%. Net asking rents continued their recovery from the low in the second quarter of 2017, growing a total of 7.7% in the last eight quarters to close the second quarter of 2019 at \$9.38 per square foot (psf), thanks in large part to the delivery of new supply. Within the same time period, operating costs have also continued to balloon from and average of \$3.61 to settle at an average \$4.53 psf at the close of the second quarter of 2019, further incentivizing tenants to relocate from older, less efficient product.

Historically, Toronto, Vancouver and Montreal have attracted the majority of investors' interest; however, Calgary's tightening market fundamentals have proven the city to be a competitive market. Investment sales remained strong in the second quarter of 2019 with cap rates ranging between 5.0% and 6.0%.

Outlook

The industrial market is expected to remain competitive as Calgary continues to be recognized as the major inland port for Western Canada. While low oil prices and pipeline disputes will continue to hamper energy investment, the transportation and warehousing sectors are expected to continue to bolster demand. With the development pipeline remaining robust and tenants seeking out greater efficiencies, vacancy rates are expected to begin to increase in the second half of 2019 as the new construction cycle begins to exceed demand and older generation product lingers on the market. Currently the future availability rate (which includes both current and availability between now and six months out) sits at 9.0%.

Overall, the Calgary industrial market will remain active throughout the year despite uncertainty surrounding the energy market as well as a measured strengthening in rental rates across all markets over the next 12 months. Activity is expected to be business as usual until the October 2019 federal election sheds light on future expectations.

MARKETBEAT

Calgary, AB

Industrial Q2 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	46,231,386	1,583,216	8.4%	1,193,679	2,575,703	2,166,667	3,047,943	\$9.82	\$4.67	\$14.49
Southeast	57,663,171	2,387,600	7.1%	804,246	1,139,819	3,901,545	933,212	\$8.92	\$4.29	\$13.21
Central	25,397,234	592,715	6.0%	190,122	122,111	318,446	0	\$9.47	\$4.83	\$14.30
CALGARY TOTALS	129,291,791	4,563,531	7.3%	2,188,047	3,837,633	6,386,658	3,981,155	\$9.38	\$4.53	\$13.91

*Rental rates reflect asking \$psf/year

Key Lease Transactions Q2 2019

PROPERTY/AREA	SF	TENANT	TRANSACTION TYPE	SUBMARKET
5840 76th Avenue SE	176,006	Serta Mattress Company	Headlease	Southeast
3838 80th Avenue SE	153,449	IntraPac	Renewal	Southeast
566 Aero Drive NE	91,165	FedEx	Headlease	Northeast
4216 to 4416 61st Avenue SE	77,452	Warehouse Reloading & Distribution Ltd	Headlease	Southeast

Key Sales Transactions Q2 2019

PROPERTY	SF	SELLER BUYER	PRICE \$PSF	SUBMARKET
6315 36th Street SE	110,248	Crossroads Furniture Mart Ltd. U-Haul	\$9,250,000 \$84	Southeast
4515 112th Avenue SE	25,568	JJ Holdings Inc. Luxuria Auto South Holdco Ltd.	\$7,000,000 \$274	Southeast
2100 10th Avenue SW	46,076	Gunther's Building Supplies Limited Bow City Self Storage East Ltd.	\$6,900,000 \$150	Southwest
11141 15th Street NE	22,648	Net Safety Monitoring Inc. JMP Corporation	\$6,150,000 \$272	Northeast

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