

	YoY Chg	12-Mo. Forecast
7.6% Overall Vacancy Rate	▲	▲
232K YTD Net Absorption, SF	▼	—
\$8.79 Net Asking Rent, PSF	▲	—

ECONOMIC INDICATORS Q3 2020

	YoY Chg	12-Mo. Forecast
828K Calgary, AB Employment	▼	▲
12.6% Calgary, AB Unemployment Rate	▲	▼
9.0% Canadian Unemployment Rate	▲	▼

Source: Statistics Canada

ECONOMY: Job Losses Remain Despite Growth In Limited Sectors Over Pre-COVID Rates

Calgary's economy has been hard-hit since the onset of the COVID-19 pandemic, registering a loss of 14,100 jobs since February 2020 and 50,300 jobs year-over-year (YoY). However, given that many industrial-using jobs were deemed essential during the government-mandated shutdowns, coupled with consumers' rapidly-changing shift to online shopping, the industrial sector saw some cautious signs of optimism. Since pre-COVID rates, the manufacturing sector added 8,600 new jobs, marking a 24.5% increase. Likewise, construction added 9,600 new jobs – many of which can be attributed to long-term capital projects and municipal improvements that were completed over the summer. Overall, while positive growth was registered in some sectors YoY rates are still down, and many businesses have remained bolstered by Federal programs aimed at helping companies and individuals navigate through the near-term economic challenges.

DEMAND: Decreased Leasing Activity Leads to First Quarter of Negative Absorption in Over Two Years

Year-to-date (YTD) leasing activity registered 4.9 million square feet (msf) in the third quarter of 2020, down 25.3% YoY. Fueled by steady demand in Balzac, activity remained strong in the Northeast market with 3.1 msf leased so far this year. The largest transaction of the quarter was signed at Crosspointe Building One as a confidential eCommerce tenant secured 302,206 square feet (sf) of new distribution space.

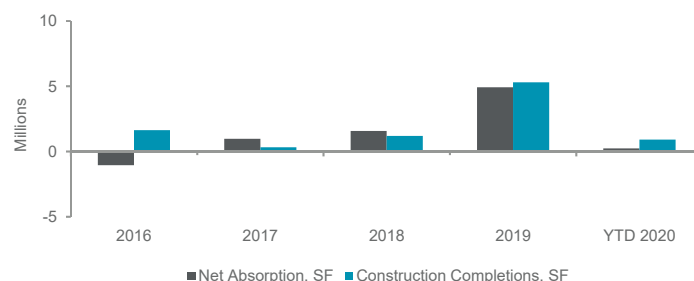
As leasing remained below historical rates, overall net absorption registered negative 117,526 sf in the third quarter. While modest, this represented the first quarter of negative absorption since the second quarter of 2017. Correspondingly, the overall vacancy rate rose 50 basis points (bps) YoY – closing the third quarter of 2020 at 7.6%.

Coupled with second-generation space returning to the market, new deliveries added another 326,457 sf of vacant space, as Enright and York Realty completed construction on projects in the Southeast and Central markets in the third quarter. With an additional 1.1 msf of speculative construction underway, nearly 720,000 sf of which is expected to deliver in the fourth quarter of 2020, near-term availability is anticipated to climb. Responding to the market, developers held off commencing new speculative projects in the third quarter with the notable exception being Beedie's Apex at Eastlake – Building B, which is expected to deliver 93,812 sf in the third quarter of 2021.

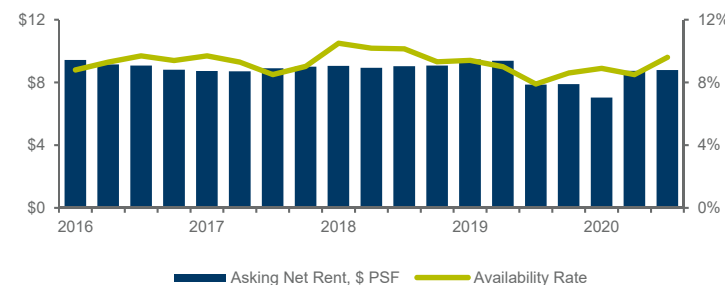
PRICING: Average Asking Rates Hold Steady as Tenants Incentivized by Free Rent

Asking net rents registered no significant decrease in the third quarter of 2020, despite the slight uptick in vacancy. This stasis follows a mid-year increase, with average asking net rents closing the third quarter at \$8.79 per square foot, a \$0.93 bump YoY. However, in an effort to maintain face rates, landlords have begun to offer extended fixturing periods and additional net free rent incentives, particularly during the uncertainty of the COVID-19 pandemic.

SPACE DEMAND / DELIVERIES



OVERALL AVAILABILITY & ASKING NET RENT



MARKET STATISTICS*

SUBMARKET	INVENTORY (SF)	OVERALL VACANCY (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	UNDER CNSTR (SF)	YTD CNSTR COMPLETIONS (SF)	OVERALL WEIGHTED AVG NET RENT**	OVERALL WEIGHTED AVG ADD. RENT	OVERALL WEIGHTED AVG GROSS RENT
Northeast	47,731,445	4,233,258	8.9%	192,731	75,902	2,086,262	147,772	\$8.55	\$3.74	\$12.29
Southeast	60,829,328	4,427,135	7.3%	-188,271	54,943	435,332	669,253	\$8.95	\$3.83	\$12.78
Central	22,280,774	1,265,924	5.7%	-121,986	101,254	0	89,115	\$9.37	\$4.84	\$14.21
CALGARY TOTALS	130,841,547	9,926,317	7.6%	-117,526	232,099	2,521,594	906,140	\$8.79	\$3.89	\$12.68

*Cushman & Wakefield Revised Statistical Inventory at Mid-Year 2020

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

KEY LEASE TRANSACTIONS

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
Crosspointe Industrial Park - Building One	Northeast	Confidential eCommerce	302,206	Headlease
High Plains Industrial Park - Building Three	Northeast	Aosom Canada Inc	168,000	Headlease
225 42nd Avenue SE	Southeast	Bianca Amor's Liquidation Supercentre	92,830	Headlease
Oxford Airport Business Park - Building L	Northeast	Wesco Distribution Canada LP	85,800	Headlease
Oxford Airport Business Park - Building L	Northeast	S&S Activewear***	71,500	Headlease

***Transaction not reflected in leasing activity, will be revised for Q4 2020

KEY SALES TRANSACTIONS

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
6215 86th Avenue SE	Southeast	Valard Construction / Rentfaster.ca	33,400	\$4,950,000 / \$148
6119 Centre Avenue SW	Central	Highfield Development / Wicker Land Patio & Home	22,720	\$6,350,000 / \$279
444 42nd Avenue SE	Central	Rocky Cross Construction / Nisstech Automotive	18,132	\$2,750,000 / \$152
3015 57th Avenue SE	Southeast	CanDyne / JCI Filtration	17,584	\$2,700,000 / \$154

KEY CONSTRUCTION COMPLETIONS

PROPERTY	SUBMARKET	MARJOR TENANT	SF	OWNER/DEVELOPER
Plains 68 - Building One	Southeast	Multi-Tenanted	115,825	Enright Capital Ltd
Plains 68 - Building Two	Southeast	Multi-Tenanted	89,250	Enright Capital Ltd
HF11 Industrial Condos	Central	Condominium	89,115	Enright Capital Ltd
Great Plains Industrial Park	Southeast	Multi-Tenanted	36,966	York Realty

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