

	YoY Chg	12-Mo. Forecast
5.5% Vacancy Rate	▼	▬
3.8M Net Abs. YTD, SF	▲	▼
\$9.41 Asking Rent, PSF	▲	▲

Overall, Net Asking Rent

ECONOMIC INDICATORS Q3 2021

	YoY Chg	12-Mo. Forecast
816K Calgary, AB Employment	▲	▲
8.9% Calgary, AB Unemployment Rate	▼	▼
6.9% Canadian Unemployment Rate	▼	▼

Source: Statistics Canada

ECONOMY: Industrial Sector Not Slowed by Reinstated Public Health Measures

Economic conditions continued to improve in Calgary over the third quarter of 2021. While public health restrictions implemented during the fourth wave of COVID-19 tempered recovery in the office sector, the warehouse-using industries continued to grow and expand their real estate footprints. Led by the transportation and warehousing sector, the Calgary labour market added approximately 11,100 new jobs overall, and the unemployment rate fell to its lowest level since March 2020.

SUPPLY: New Construction Rises to Meet Demand

Calgary's industrial market continued to show remarkable strength as robust demand carried into the third quarter of 2021. With an acute shortage of available large-bay supply, landlords of the few remaining options were managing competing offers. Deals had yet to close by quarter-end and no new leases over 100,000 square feet (sf) were recorded. Demand was steady across the market, however, as tenants of all sizes sought after the diminished supply of industrial space. Transactions for tenancies under 10,000 sf were up 47.1% year-over-year (YOY) and made up almost a third of new leasing activity, while new transactions between 10,000 to 40,000 sf were up 24.8%.

Overall net new absorption was recorded at 1.8 million square feet (msf) for the quarter, as tenants continued to take occupancy in both the Northeast and Southeast markets. Year-to-date absorption was brought to a total of 3.8 msf, while a restrained 777,774 sf of new construction was added to the market over the same period. As a result, the overall vacancy rate decreased by a further 90 basis points, closing the quarter at 5.5%.

As the market tightened, developers continued to break ground on new projects in the third quarter with 4.0 msf of new industrial product now expected to deliver over the next year. Transactions on undeveloped industrial land increased and prospective tenants shifted towards built-to-suit mandates as demand for new logistics and distribution space could not be met by available supply. Developers also pivoted to meet demand by adjusting specifications — notably, both Hopewell Development and Highfield Investment Group had speculative projects under construction with ceiling heights raised to 40 feet. Despite increased costs, the current construction cycle was set to far outpace the 2018/2019 cycle which saw 6.7 msf of new industrial inventory delivered over two years.

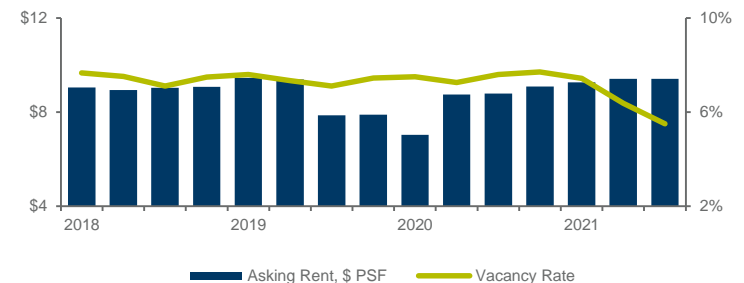
CAPITAL MARKETS: Calgary Industrial Attracts Investors

Investors focused funds on Calgary's industrial market in the third quarter of 2021, attracted by strong market fundamentals and relative affordability compared to the increasingly squeezed Vancouver and Toronto markets. Investment sales activity surged, and cap rates were compressed in response to sustained demand and current upward pressure on rental rates. Notably, Skyline Industrial REIT completed the purchase of Hopewell Development's South Calgary Distribution Centre, adding the 498,618-sf facility to its portfolio for a reported total of \$6.7M.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



MARKET STATISTICS

SUBMARKET	INVENTORY (SF)*	OVERALL VACANCY (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	YTD NEW LEASING ACTIVITY (SF)	UNDER CNSTR (SF)	YTD CONSTR COMPLETIONS (SF)	OVERALL WEIGHTED AVG NET RENT**	OVERALL WEIGHTED AVG ADD. RENT	OVERALL WEIGHTED AVG GROSS RENT
Northeast	48,992,273	3,573,302	7.3%	720,583	1,535,176	2,880,407	3,003,135	294,386	\$9.06	\$4.30	\$13.36
Southeast	62,183,958	2,829,304	4.5%	982,933	2,039,615	2,519,321	952,123	483,388	\$10.13	\$4.71	\$14.84
Central	22,433,789	891,651	4.0%	48,083	274,270	698,858	0	0	\$9.31	\$5.19	\$14.50
TOTAL	133,610,020	7,294,257	5.5%	1,751,599	3,849,061	6,098,586	3,955,258	777,774	\$9.41	\$4.51	\$13.92

**Rental rates reflect direct net asking \$psf/year weighted on vacant space

KEY LEASE TRANSACTIONS Q3 2021

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
4441 76th Avenue SE	Southeast	Specialty Laminates	93,604	New Lease
High Plains – Building Eight	Northeast	eStructure	79,407	New Lease
4660 to 4770 68th Avenue SE	Southeast	MTE Logistics	67,750	Expansion
Saddleridge Business Park – Building A2	Northeast	ZL Chemicals	60,236	New Lease
52 Aero Drive NE	Northeast	SPUD.ca	54,750	New Lease

*Renewals not included in leasing statistics

KEY SALES TRANSACTIONS Q3 2021

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
South Calgary Distribution Centre	Northeast	Hopewell Development / Skyline Commercial REIT	498,618	\$67,000,000 / \$134
Eastfield Business Park	Southeast	Oxford Properties / Anthem Properties	199,664	Undisclosed
4545 to 4661 54th Avenue SE	Southeast	LaSalle Investment Management / Vitafoam Products	93,717	\$7,700,000 / \$82
6130 4th Street SE	Southeast	Securfund Warehouse / Synergy Properties Ltd	66,332	\$8,000,000 / \$121

KEY CONSTRUCTION COMPLETIONS Q3 2021

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER/DEVELOPER
6202 106th Avenue SE	Southeast	Sofina Foods	268,000	Sofina Foods
Crosspointe Industrial Park - Two	Northeast	Groupe Robert	200,274	Hopewell Development Corporation
285164 Frontier Road	Southeast	Tri-line Carriers GP Inc	61,881	Tri-line Carriers GP Inc

ROSEMARY CARLSON

Research Manager

+1 403 261 1167 /rosemary.carlson@cushwake.com

DAVID VAN BASSELAERE

Research Analyst

+1 403 261 1169 /david.vanbasselaere@cushwake.com

cushmanwakefield.com

A CUSHMAN & WAKEFIELD RESEARCH PUBLICATION

Cushman & Wakefield (NYSE: CWK) is a leading global real estate services firm that delivers exceptional value for real estate occupiers and owners. Cushman & Wakefield is among the largest real estate services firms with approximately 50,000 employees in over 400 offices and 60 countries. In 2020, the firm had revenue of \$7.8 billion across core services of property, facilities and project management, leasing, capital markets, valuation and other services. To learn more, visit www.cushmanwakefield.com or follow @CushWake on Twitter.

©2021 Cushman & Wakefield. All rights reserved. The information contained within this report is gathered from multiple sources believed to be reliable. The information may contain errors or omissions and is presented without any warranty or representations as to its accuracy.