

	YoY Chg	12-Mo. Forecast
3.9% Vacancy Rate	▼	▼
2.5M Net Abs. YTD, SF	▲	▲
\$10.63 Asking Rent, PSF	▲	▲

Overall, Net Asking Rent

ECONOMIC INDICATORS Q2 2022

	YoY Chg	12-Mo. Forecast
875K Calgary, AB Employment	▲	▲
5.5% Calgary, AB Unemployment Rate	▼	—
4.9% Canadian Unemployment Rate	▼	—

Source: Statistics Canada

ECONOMY: Companies Re-strategize Supply Chains Amid Rising Inflation

Sustained supply-chain disruptions coupled with strong consumer demand drove up inflation in the first half of 2022 and caused companies to re-strategize their operations. According to the Bank of Canada Business Outlook Survey, 43% of surveyed firms reported supply-chain bottlenecks as the most important obstacle in meeting demand in the second quarter of 2022. In response, 27% of firms reported reconfiguring their supply chains and 23% reported holding more inventory. Inflation in Calgary rose to 8.0% in May 2022, leading the national rate of 7.7%. In June 2022 with labour in strong demand, the unemployment rate in Calgary was reduced to 5.5% — the lowest level since early 2015.

DEMAND: Record First-Half Leasing Activity As New Construction Breaks Ground

Following record-high activity in the first quarter of 2022, demand for industrial space remained strong through June with new transactions totaling 5.2 million square feet (msf) in the first half of 2022 — up 13.7% from 2021, a new mid-year record. While large-bay leasing was constrained by severely limited supply, demand in the mid-sized sector had surged. Transactions 10,000 to 70,000 square feet (sf) totaled 1.6 msf in the first half of 2022, up over 100% year-over-year (YoY). Third-party logistics companies continued to relocate and expand to the few remaining large-bay options in the Calgary area with XTL Logistics Inc. and MTE Logistix signing the largest leases of the quarter.

Eight new construction projects delivered in the spring, adding 1.1 msf of much-needed industrial supply to the Calgary market. The 950,000 sf completed on a speculative basis was over 85% leased upon delivery, incentivizing developers to move quickly on planned construction. Upwards of ten new industrial buildings broke ground in the spring, bringing the total under-construction supply to a record-high 8.7 msf. Net positive absorption was registered at 1.6 msf in the second quarter, moving the overall vacancy rate down a further 40 basis points (bps) to 3.9% — the lowest recorded since the fourth quarter of 2008 and a full 240 bps down YoY.

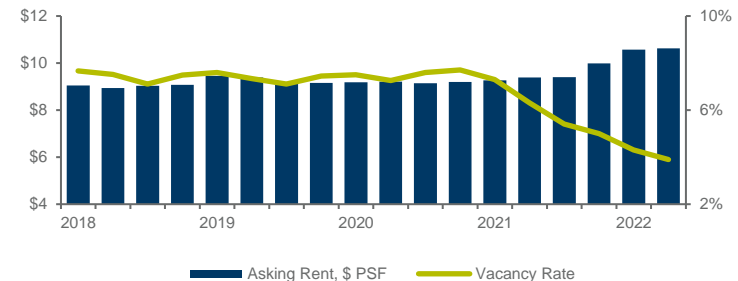
CAPITAL MARKETS: Increased Interest Rates Slow Investment Activity

In response to rising inflation, The Bank of Canada increased its policy interest rate three times in the first half of 2022, from 0.25% in January to 1.5% in June, with further interest rate hikes anticipated in the second half of the year. The rising cost of capital converged with contracted capitalization rates at mid-year, causing many potential investors to pause and re-evaluate their portfolios. Net rents for industrial space increased \$1.24 per square foot (psf) YoY to an average of \$10.63 psf in the second quarter. Prior to 2021, historically neutral net rents had well-positioned the Calgary market to upwardly correct. Investors may remain incentivized by industrial assets if continued rent growth can off-set increased costs.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



Note: Some historical data has been revised from what was originally reported for improved accuracy

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	51,632,907	2,384,592	4.6%	901,061	1,476,300	2,274,925	3,587,961	904,611	\$10.33	\$5.10	\$15.43
Southeast	62,973,750	2,478,680	3.9%	634,174	893,787	2,385,021	5,158,952	527,862	\$10.86	\$5.05	\$15.91
Central	22,337,026	462,672	2.1%	60,919	164,240	533,994	0	0	\$11.23	\$5.41	\$16.64
TOTAL	136,943,683	5,325,944	3.9%	1,596,154	2,534,327	5,193,940	8,746,913	1,432,473	\$10.63	\$5.10	\$15.73

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

KEY LEASE TRANSACTIONS Q2 2022

PROPERTY	SUBMARKET	TENANT	RSF	TYPE*
Oxford Airport Business Park – Building G	Northeast	XTL Logistics Inc.	194,000	New Lease
East Foothills Industrial Park – Building 2	Southeast	MTE Logistix	150,654	New Lease
5350 86 th Avenue SE	Southeast	Iron Mountain	145,300	Renewal*
Oxford Airport Business Park – Building E	Northeast	Well.ca	110,312	New Lease
7303 to 7403 30 th Street SE	Southeast	DIRTT Environmental Solutions	72,549	Renewal*

* Renewals not included in leasing statistics

KEY SALES TRANSACTIONS Q2 2022

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
Crosspointe Industrial Park – Building 1	Northeast	MH Crosspointe GP Inc. / Summit Industrial Income REIT	524,490	\$126,000,000 / \$240
Western Commerce Court – Building D	Northeast	CanFirst Capital Management / Sunrise Farms	55,276	\$10,100,000 / \$183
3663 63 rd Avenue NE	Northeast	Remington Development Corp. / PBA Group	55,166	\$14,700,000 / \$266
5304 Hubalta Road SE	Southeast	Teledyne Digital Imaging Inc. / Koh Co. Ltd.	43,975	\$5,300,000 / \$120

KEY CONSTRUCTION COMPLETIONS Q2 2022

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER/DEVELOPER
High Plains Industrial Park – Building 7	Northeast	Walmart Canada	430,000	Highfield Investment Group
South Calgary Distribution Centre – Building 2	Southeast	Purolator	300,875	Conestoga Franchise Services Limited
High Plains Industrial Park – Building 8	Northeast	Estructure	186,314	Highfield Investment Group
10660 50 th Street SE	Southeast	Gregg Distributors Ltd.	132,827	Gregg Distributors Ltd.

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