

	YoY Chg	12-Mo. Forecast
3.1% Vacancy Rate	▼	▬
7.5M Net Abs. YTD, SF	▲	▬
\$11.20 Asking Rent, PSF	▲	▲

Overall, Net Asking Rent

ECONOMIC INDICATORS Q4 2022

	YoY Chg	12-Mo. Forecast
875K Calgary, AB Employment	▲	▼
6.6% Calgary, AB Unemployment Rate	▼	▲
5.0% Canadian Unemployment Rate	▼	▲

Source: Statistics Canada

ECONOMY: Calgary Economic Outlook Remained Positive Despite Headwinds

Following a strong rebound from 2021 to 2022, the Calgary economy was well-positioned but cooling at the end of the year. Real GDP growth, which was estimated at 4.1% in 2021 and 8.6% in 2022, was forecasted to slow significantly below the 10-average 3.25% in 2023 yet remain positive according to Moody's Analytics. While supply chain delays had begun to resolve, some businesses continued to face cost challenges against the stubborn 7.3% inflation. The Calgary labour force shed approximately 17,200 jobs in the fourth quarter of 2022 after steadily growing through the first three quarters.

DEMAND: Record Annual Leasing Activity and Net Absorption as Vacancy Dips to 3.1%

The Calgary industrial market navigated record-high demand and a shortage of distribution space in 2022. Developers moved quickly to meet demand, and a total 5.5 million square feet (msf) of new industrial space was delivered throughout the year. With another 7.8 msf under construction at year-end, tenants who could not find suitable space in 2022 may see more options on the market by the end of 2023.

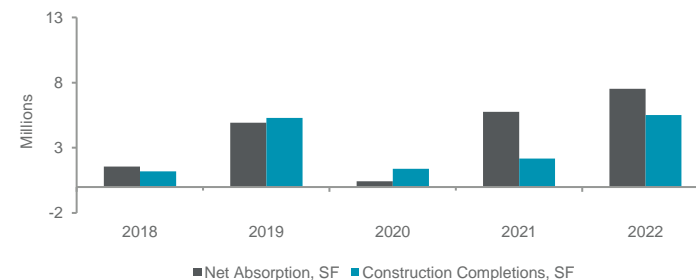
A total 9.5 msf of annual new leasing activity was recorded in 2022, surpassing the 9.0 msf leased in 2021. By mid-year, options for prospective large-bay tenants had been depleted and overall transaction volume slowed slightly as a result. Overall net absorption reached 7.5 msf in 2022, a 30% increase year-over-year (YOY), after industrial users occupied another 3.6 msf in the fourth quarter. While vacant options were still limited across the market from a year prior, tenants looking for space under 5,000 square feet (sf) began to see more options and steadier rental rates in the last quarter. The overall vacancy rate dropped to 3.1% as the year closed, down 190 basis points YOY and the lowest rate recorded since 2008. The continuous stretch of steadily declining vacancy—eight consecutive quarters—was the longest on record and expected to continue into the first half of 2023 despite record new supply deliveries in 2022. The 2.6 msf of speculative industrial construction delivered in 2022 was almost 95% leased or sold at year-end, while the 4.4 msf set to deliver in 2023 was already 35% pre-leased.

Just outside city-limits in Calgary's Northeast market, the Balzac area was a focus for logistics companies relocating or consolidating operations in 2022. The Balzac industrial market grew 20% after 1.7 msf of new construction was completed throughout the year. Another 3.5 msf of construction was anticipated to deliver to the Balzac area in 2023.

PRICING: Net Rental Rates and Sale Prices Increased Steadily in 2022

Due to tight market conditions, the average net rental rate increased \$1.22 to \$11.20 per-square-foot (psf) in 2022 for 12.2% growth YOY. Large-bay tenants saw the steepest increases amid fierce competition and premium rates for new construction. Industrial sale prices likewise surged an estimated 10% psf as transaction volume increased nearly 15% YOY. Investors drove demand, while owner-user sales remained relatively steady compared to 2021 as rising interest rates limited affordability.

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	52,712,559	1,858,964	3.5%	328,471	2,961,021	4,357,683	4,090,340	1,864,409	\$10.32	\$5.31	\$15.63
Southeast	66,467,253	1,964,378	3.0%	3,291,879	4,528,483	4,262,984	3,748,163	3,650,945	\$12.08	\$4.36	\$16.44
Central	22,437,755	589,582	2.6%	-24,857	37,303	939,987	0	0	\$10.78	\$5.77	\$16.55
TOTAL	141,617,567	4,412,924	3.1%	3,595,493	7,526,807	9,560,654	7,838,503	5,515,414	\$11.20	\$5.14	\$16.34

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

KEY LEASE TRANSACTIONS Q4 2022

PROPERTY	SUBMARKET	TENANT	RSF	TYPE*
285088 Frontier Road	Southeast	Richelieu Hardware	256,461	New Lease
Citylink Logistics Centre – Building 1	Southeast	Transport DSquare	253,049	New Lease
Canal 108 – Building 2	Southeast	Olympia Transportation Ltd.	131,350	New Lease
Foothills Phase II – Building B	Southeast	Snap-On Tools of Canada Ltd.	85,431	Renewal
Portland Street Depot – Building C	Southeast	Transport DSquare	70,100	New Lease

* Renewals not included in leasing statistics

KEY SALES TRANSACTIONS Q4 2022

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
Pockar Park Portfolio	Northeast	Pockar Group of Companies / Hyatt Investments	670,388	\$45,000,000 / \$151
South Calgary Distribution Centre - 2	Southeast	Hopewell Development Corp. / Skyline Industrial REIT	301,400	\$57,000,000 / \$189
3111 Shepard Place	Southeast	662390 NB Inc. / Gilfor Distribution Inc.	107,545	\$11,700,000 / \$109
4705 102 nd Avenue	Southeast	Supreme Windows / Centra Windows	96,905	\$16,250,000 / \$168

KEY CONSTRUCTION COMPLETIONS Q4 2022

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER/DEVELOPER
Amazon Web Services Data Centre–Building 1	Southeast	Amazon	2,600,000	Amazon / Ledcor Development LP
Barlow Crossing – Building H	Southeast	Cascades Canada ULC	243,867	Remington Development Corporation
11375 48 th Street	Southeast	The Driving Force	80,000	The Driving Force / Eagle Builders LP
112 High Plains Court	Northeast	Bison Transport	24,358	Highfield Investment Corporation

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