

YoY  
Chg

12-Mo.  
Forecast

**2.7%**

Vacancy Rate

**3.1M**

Net Abs. YTD, SF

**\$11.25**

Asking Rent, PSF



Overall Market, Net Asking Rent

#### ECONOMIC INDICATORS Q1 2023

YoY  
Chg

12-Mo.  
Forecast

**876K**Calgary, AB  
Employment**6.6%**Calgary, AB  
Unemployment Rate**5.0%**Canadian  
Unemployment Rate

Source: Statistics Canada

#### ECONOMY: Labour Force Stabilization and Slowed Inflation Strengthened Expectations

The economic outlook in Calgary remained optimistic in the first quarter of 2023 and the 2022 end-of-year uncertainty eased. Inflation had slowed to 3.9% in February, the lowest since June 2021 and below the Canadian average of 5.3%. The labour force also showed signs of stabilization and overall employment increased in March 2023 after six months of decline. For positions in trades, transport, manufacturing and utilities, however, job growth was negative while vacancies remained elevated — signaling a mismatch of local labour supply and demand.

#### DEMAND: Prospective Tenants Faced Low Vacancy and Difficult Decisions

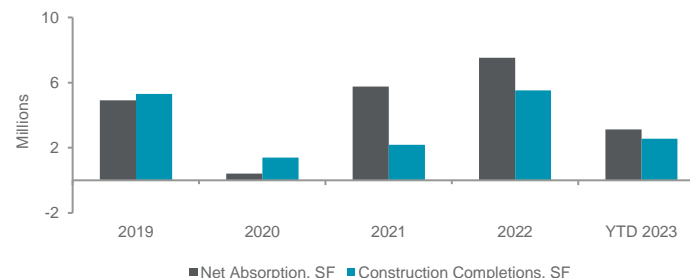
The first quarter of 2023 was the ninth consecutive quarter of declining vacancy in the Calgary industrial market. Registering only 2.7% after dropping a total 500 basis points (bps) since its last peak, overall vacancy continued a steep downward trajectory but remained above the historical low of 1.8% set in 2007. Of the 3.1 million square feet (msf) of net absorption recorded this quarter, 2.3 msf was occupied in new construction that was delivered — including 1.2 msf at Amazon's second web services data centre. Demand continued to be driven by logistics, distribution and warehouse users expanding locally and from out-of-province, however manufacturing and production companies also took a strong position in the market.

With increasingly limited options available to meet the requirements of industrial users in the market, transaction volume decreased from the steady pace set throughout 2022 while prospective tenants reconsidered their priorities. Pre-leasing for new construction projects accounted for over 30% of total leasing activity, with several large spaces conditionally pre-leased at quarter-end. Those who decided to pause relocation plans and renew existing leases felt the sticker shock of new rates as net rents have increased an average of \$2.20 per square foot (psf) over the last five years since the signing of their previous agreements. Overall, tenants felt the pressure of market conditions with double digit rental rates, increased escalations and limited inducements becoming commonplace, making decisions challenging.

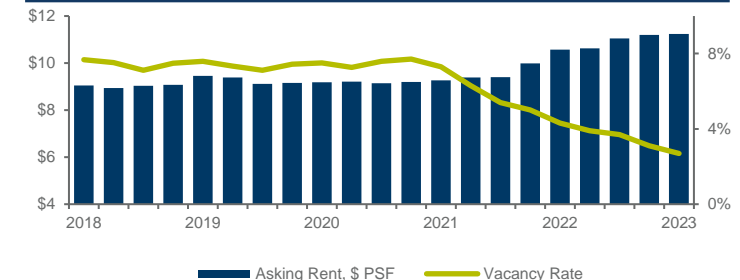
#### CONSTRUCTION: The Speculative Construction Pipeline Remained Active

Developers continued to respond to demand and move forward with construction on a speculative basis. By March 2023, there was 5.4 msf of speculative industrial construction underway in Calgary, and another 7.0 msf in the planning stages that is expected to be delivered by the end of 2026. Projects expected to deliver before October 2023 are over 60% pre-leased and are not expected to relieve supply pressures in the near term. Businesses on a growth trajectory with unique needs not met by limited market options, such as freezer/cooler or high-tech requirements, are choosing built-to-suit options despite high construction and land costs. However, shovel-ready land in the Calgary area is scarce following two years of fierce demand. In response, few large parcels remained on market, and limited small-medium parcels prices continued to increase.

#### SPACE DEMAND / DELIVERIES



#### OVERALL VACANCY & ASKING RENT



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

# MARKETBEAT CALGARY, AB

## Industrial Q1 2023



### 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 CNSTR COMPLETIONS (SF)	OVERALL WEIGHTED AVG NET RENT*	OVERALL WEIGHTED AVG ADD. RENT	OVERALL WEIGHTED AVG GROSS RENT
Northeast	53,450,293	1,628,003	3.0%	872,532	872,532	746,676	4,230,331	570,997	\$10.84	\$5.35	\$16.19
Southeast	68,492,502	1,838,523	2.7%	2,121,429	2,121,429	663,660	2,187,429	1,995,062	\$11.81	\$4.25	\$16.06
Central	22,427,555	454,208	2.0%	135,374	135,374	163,415	0	0	\$10.30	\$5.22	\$15.52
<b>TOTAL</b>	<b>144,370,350</b>	<b>3,920,734</b>	<b>2.7%</b>	<b>3,129,335</b>	<b>3,129,335</b>	<b>1,573,751</b>	<b>6,417,760</b>	<b>2,566,059</b>	<b>\$11.25</b>	<b>\$4.78</b>	<b>\$16.03</b>

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

### KEY LEASE TRANSACTIONS Q1 2023

PROPERTY	SUBMARKET	TENANT	RSF	TYPE*
High Plains Industrial Park – Building 10	Northeast	DSV Global Transport and Logistics	218,654	New Lease
Hub Logistics Centre – Building 1	Northeast	Master Group Inc.	147,840	New Lease
Stonegate Industrial – Building 5A	Northeast	Radiant Logistics	134,400	New Lease
Canal 108 – Building 2	Southeast	Olympia Transportation Ltd.	79,276	New Lease
7555 51 <sup>st</sup> Street SE	Southeast	Cryptotherm Manufacturing Inc.	54,842	New Lease

\* Renewals not included in leasing statistics

### KEY SALES TRANSACTIONS Q1 2023

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
Summit II REIT Portfolio (25 buildings in Calgary Market)	City-wide	Summit II REIT / GIC (90%) & Dream Industrial REIT (10%)	3,685,380	~\$130psf*
215 16 <sup>th</sup> Street SE	Southeast	Postmedia Network / U-Haul Canada Ltd.	391,590	\$17,250,000 / \$44
South Calgary Distribution Centre – 2	Southeast	Hopewell Development Corp. / Skyline Industrial REIT	300,875	\$57,000,000 / \$189
20 High Plains Trail	Northeast	Highfield Investment Group Inc. / PEAK Installations	178,734	\$25,880,255 / \$145

\*\$/psf approximation of \$5.9B multi-market portfolio sale

### KEY CONSTRUCTION COMPLETIONS Q1 2023

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER/DEVELOPER
Amazon Web Services Data Centre – Building 2	Southeast	Amazon	1,200,000	Beedie Development Group
Citylink Logistics Centre – Building 1	Southeast	Transport DSquare	544,500	Hopewell & Emcor Development Corp.
Interlink Logistics Park – Building 1B	Northeast	Kintetsu World Express	266,073	Hopewell Development Corp.
Nose Creek Business Park – Building F	Northeast	Amazon	181,684	Quadreal Property Group Ltd.

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