

YoY
Chg

12-Mo.
Forecast

3.1%

Vacancy Rate



4.3M

Net Abs. YTD, SF



\$11.24

Asking Rent, PSF



Overall, Net Asking Rent

ECONOMIC INDICATORS Q3 2023

YoY
Chg

12-Mo.
Forecast

920K

Calgary, AB
Employment

5.9%

Calgary, AB
Unemployment Rate

5.5%

Canadian
Unemployment Rate

Source: Statistics Canada

ECONOMY: Record Population Growth Supports Calgary Economy Against Global Headwinds

Despite recession concerns earlier in the year, Calgary's real GDP is projected to grow by 3.4% in 2023, and the labour force showed signs of stabilization by the third quarter. Record levels of interprovincial and international migration to Calgary will continue to stimulate increased demand for warehouse and distribution space but could prolong elevated inflation.

SUPPLY: Vacancy Rate Rises, Large-Bay Leasing Surges as Supply/Demand Dynamics Shift

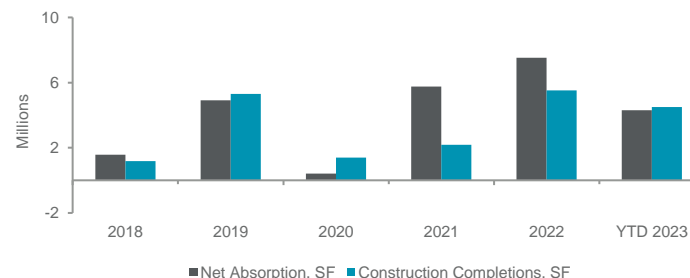
Industrial vacancy increased in the third quarter for the first time since the end of 2020, rising 50 basis points (bps) to 3.1%. Mid and large-bay space returned to market on both a headlease and sublease basis, while small-bay options continued to decline. Sublease space accounted for 13.8% of total vacancy at the end of the quarter, up from a low of 2.9% in the first quarter of 2021. As the acute supply chain challenges of 2021-2022 continued to resolve, excess space leased for traditional warehousing was no longer required. Despite the relief in pressure, users with unique needs still had difficulty finding the correct space, such as manufacturing space with crane capabilities or freestanding on over two acres of yard.

As more large-bay options hit the market, leasing in that market sector rebounded significantly in the third quarter. Nine new transactions over 100,000 square feet (sf) were recorded, totaling 1.7 million square feet (msf), while only six (1.3 msf) had been recorded in the first two quarters combined. Pre-leasing levels on future construction also remained high, with 36.4% of speculative product pre-leased at quarter end. Net absorption slowed substantially from over 1.0 msf in the second quarter of 2023 to only 135,660 sf in the third quarter, well below the two-year quarterly average of 1.9 msf. The 828,748 sf of new construction (delivered almost 90% occupied), was largely balanced by corresponding relocations as well as some permanent closures. On a year-to-date basis, new supply overtook net absorption by 201,981 sf and supply and demand appeared to be in balance for the first time since 2020. Despite longer consideration periods from developers, the pipeline remains historically high as developers are incentivized by historically low vacancy. At the end of the quarter 7.6 msf was actively under construction, all of which is expected to deliver by the end of 2024.

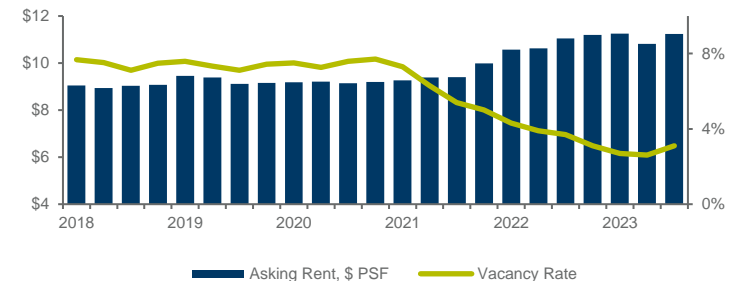
PRICING: Incentives Return as Landlords Face Competition from Sublease Market

Rent growth continued to slow from the 17.6% year-over-year (YOY) increase a year prior. The overall average net asking rent increased a modest 1.7% YOY, settling at \$11.24 per square foot (psf) after a mid-year dip. The growing sublease market is offering competitive pricing — about \$1.00 psf lower on average and requiring reduced up-front costs for similar-use tenants. To maintain face-rates, landlords are considering more creative incentives to drive activity. The investment market has slowed by elevated interest rates and construction pricing, but opportunities are presenting themselves for larger investment pools who are able to capitalize by purchasing assets with unsustainable cash flows on the grounds of expectant future returns.

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 Q3 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	55,970,045	2,119,553	3.8%	-23,190	1,652,935	2,560,849	4,445,668	1,943,238	\$10.68	\$5.06	\$15.74
Southeast	69,565,563	1,839,509	2.6%	246,929	2,679,408	2,928,123	3,187,232	2,554,027	\$12.16	\$5.06	\$17.23
Central	22,642,738	616,841	2.7%	-88,079	-37,059	578,903	0	0	\$10.24	\$4.86	\$15.10
TOTAL	148,178,346	4,575,903	3.1%	135,660	4,295,284	6,067,875	7,632,900	4,497,265	\$11.24	\$5.02	\$16.26

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

KEY LEASE TRANSACTIONS Q3 2023

PROPERTY	SUBMARKET	TENANT	RSF	TYPE*
Citylink Logistics Centre – Building 2	Southeast	Metro Logistics	291,542	New Lease
Foothills Phase II – Building D	Southeast	Dot Foods Canada Inc.	268,094	New Lease
HUB Logistics Centre – Building 1	Northeast	Article.com	221,900	New Lease
Great Plains – Building 1	Southeast	Plygem Canada	220,122	New Lease
Great Plains – Building 1	Southeast	Walmart	158,731	New Lease

* Renewals not included in leasing statistics

KEY SALES TRANSACTIONS Q3 2023

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
Foothills West Portfolio	Southeast	Morguard / BOSA Calgary Industrial2 GP Ltd.	407,666	\$42,500,000 / \$104
High Plains Industrial Park – Building 8	Northeast	Highfield Investment Group Inc. / GWL	186,314	\$37,500,000 / \$201
2840 58 th Street SE	Southeast	Prime Movers Rigging & Industrial Services Inc. / Westcan Recyclers	21,385	\$4,500,000 / \$210
11166 42 nd Street SE	Southeast	7S Group / Pegasus Gymnastics	19,815	\$3,990,000 / \$201

KEY CONSTRUCTION COMPLETIONS Q3 2023

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER/DEVELOPER
Voila Grocery Customer Fulfillment Centre	Northeast	Voila	388,318	Crombie REIT
Frontier Warehouse	Southeast	Richelieu Hardware	256,461	Remington Development Corporation
Rise – Building B	Southeast	Multi-tenant	122,969	Beedie Development Corporation

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