



MARKET FUNDAMENTALS

	YOY Chg	12-Month Forecast
5.0% Vacancy Rate	▲	▲
4.0M YTD Net Absorption, SF	▼	▼
\$10.83 Asking Rent, PSF <i>(Overall, Net Asking Rent)</i>	▼	—

ECONOMIC INDICATORS

	YOY Chg	12-Month Forecast
942K Calgary Employment	▲	▲
7.4% Calgary Unemployment Rate	▲	▼
6.5% Canada Unemployment Rate <i>Source: Statistics Canada</i>	▲	—

ECONOMY: RESIDENTIAL CONSTRUCTION SUPPORTS EMPLOYMENT

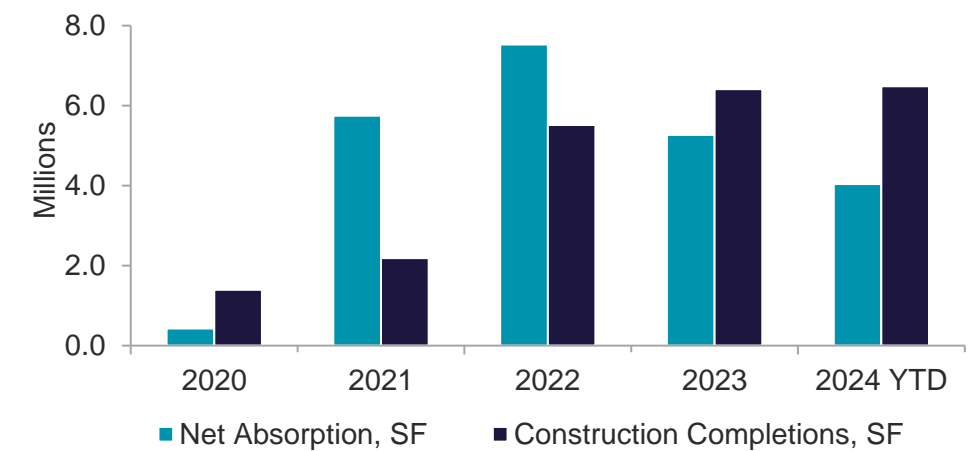
The Bank of Canada continued to lower the overnight rate throughout the third quarter, declining a total of 50 basis points (bps), as the national inflation rate continued to trend downward. While the inflation rate in Calgary remained above the national average, continued population growth and increased overall employment were positive indicators for the local economy. As the housing supply struggled to meet the demand set by the population growth, developers continued to build, capitalizing on the citywide rezoning change with more multi-unit housing projects. At mid-year 2024, housing starts were up over 22.0% year-over-year (YOY). These projects generated construction and manufacturing employment, which saw notable growth over the summer and could continue to support demand for industrial space in these industries.

SUPPLY: CONSTRUCTION SLOWS AS LARGE-BAY DEMAND ABATED

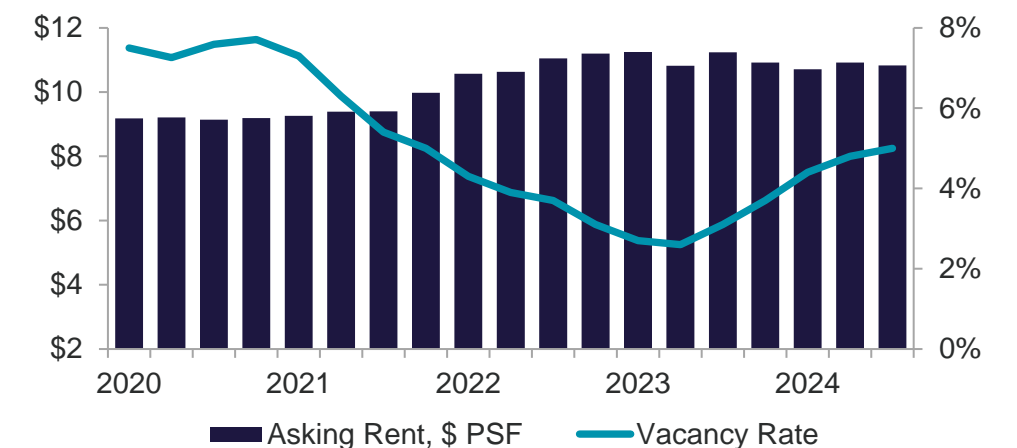
Overall vacancy rose for the fifth consecutive period, ticking up 20 bps to 5.0% in the third quarter of 2024. The vacancy rate increased an average 55 bps per quarter over the previous year, so this relative slow-down signaled a degree of market stabilization. While construction completions introduced 855,847 square feet (sf) of vacant space to the market, close to 1.2 million square feet (msf) of new industrial space was absorbed in completed projects. In total, nearly 1.6 msf of net positive absorption was recorded city-wide, bringing the year-to-date (YTD) total to 4.0 msf. Sublease vacancy declined almost 20.0% to 940,059 sf as move-in ready sublease availabilities with attractive rates outcompeted headlease options.

Over 2.0 msf of new supply delivered in the third quarter, adding to the nearly 6.5 msf delivered YTD. At quarter end, construction completions had already surpassed record levels seen at the end of 2023, with over 1.1 msf of new supply still expected to deliver by the end of 2024. Less than 1.0 msf would be under construction heading into 2025, winding down the construction cycle that started in 2021 and peaked at 8.7 msf at mid-year 2022.

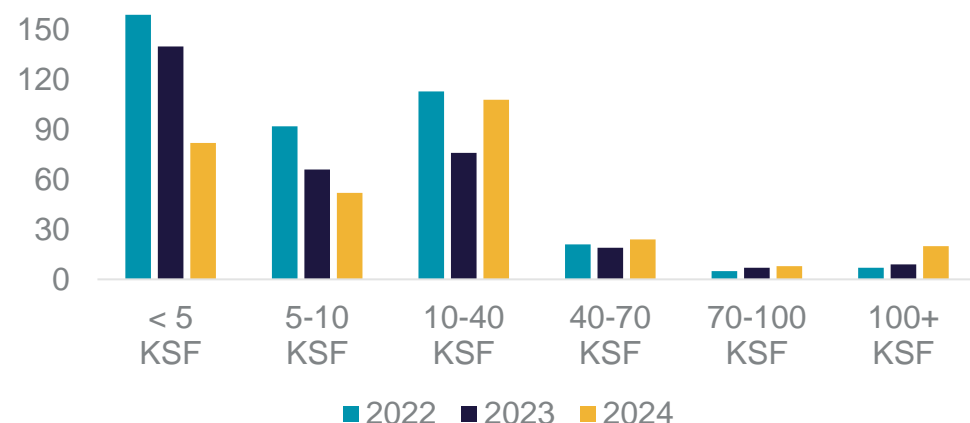
SPACE DEMAND / DELIVERIES



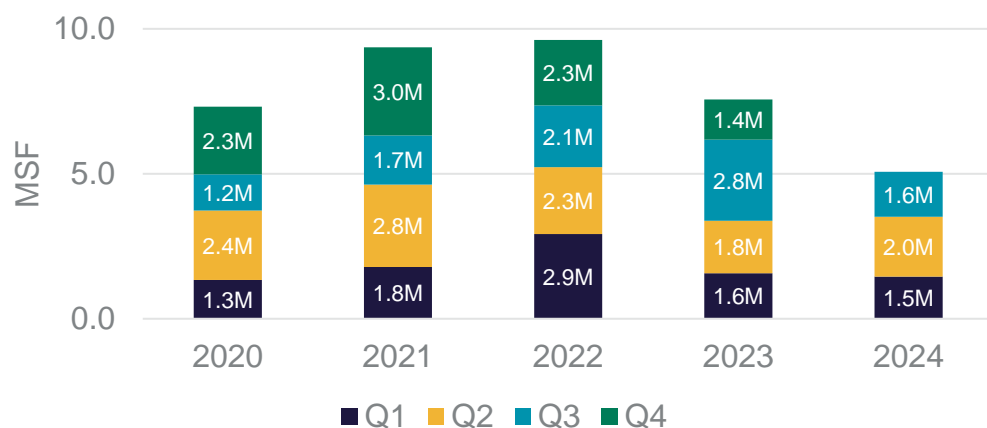
OVERALL VACANCY & ASKING RENT



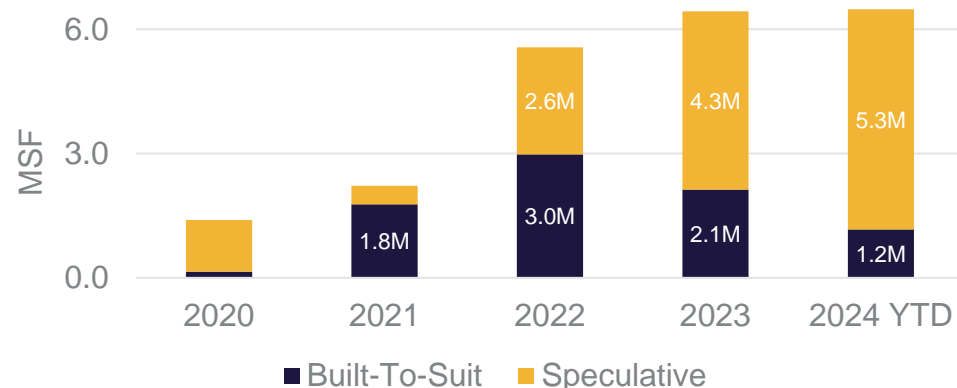
VACANT SPACE BY BAY SIZE (# OF OPTIONS)



INDUSTRIAL LEASING BY QUARTER



CONSTRUCTION COMPLETIONS BY TYPE



DEMAND: LEASING ACTIVITY FOCUSED IN KEY SUBMARKETS

The improving economic outlook did not result in increased industrial leasing activity in the third quarter, as total transactions were down 43.0% YOY and 25.7% quarter-over-quarter (QOQ). As economists expected further interest rate drops through 2024 and going into 2025, some users delayed making any moves with the expectation rates would continue to improve. Looking YTD, two submarkets collectively accounted for about a quarter of overall leasing activity; Foothills recorded 641,271 sf in total transactions in the first three quarters of 2024 and Balzac registered 573,358 sf. Point Trotter, a rapidly expanding submarket in southeast Calgary, was also active—transactions totaled 204,540 sf YTD in the relatively small submarket where 1.3 msf of the 1.8 msf of industrial inventory was constructed in the previous three years.

PRICING: UPWARD PRESSURE IN TIGHTENED SMALL-BAY MARKET

Overall net asking rents declined \$0.09 per-square-foot (psf) on average QOQ, balancing out at \$10.83 psf. However, rent pressures varied significantly across bay sizes. Vacant large-bay inventory had increased significantly in 2024—total vacancy for space 100,000+ sf more than tripled YOY. Large-format space commands a lower net rent on a psf basis, so an increased market-share and downward price pressure in that market has been the driving factor in negative rent growth.

At the other end of the market, available small-bay options remained limited and low vacancy put upward pressure on asking rates for space under 10,000 sf. This market dynamic was a significant reversal from a year prior. In 2023, demand for large-format distribution space was driving rent growth and smaller operators were enjoying relative stability. A surging local population had fueled small business growth in 2024, leading new industrial tenants to compete for fewer options at premium prices. In some cases, asking rents were up approximately 20.0% YOY.

OUTLOOK

- Vacancy is expected to continue rising, but at a slower pace going into 2025. A few major projects will be completed, but the construction pipeline will run increasing low.
- Absorption is expected to remain moderately net positive as we are still seeing healthy demand in the overall market. The large net absorption recorded over the summer, however, is not expected to continue over the winter.
- Maintaining the recent trend, overall rental rates are expected to remain stable despite rising vacancy.

MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	OVERALL VACANT (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	60,968,902	3,870,070	6.3%	1,113,639	3,035,623	2,010,258	1,668,215	4,503,455	\$10.70	\$3.98	\$14.68
Southeast	73,477,829	3,399,460	4.6%	514,801	876,184	2,471,226	414,799	1,884,103	\$10.88	\$4.03	\$14.91
Central	22,790,974	633,069	2.8%	(50,478)	125,933	588,711	0	95,000	\$11.47	\$5.39	\$16.86
CALGARY TOTALS	157,237,705	7,902,599	5.0%	1,577,962	4,037,740	5,070,195	2,083,014	6,482,558	\$10.83	\$4.10	\$14.93

*Rental rates reflect weighted net asking \$psf/year

KEY LEASE TRANSACTIONS Q3 2024

PROPERTY	SUBMARKET	TENANT	SF	TYPE
Nose Creek Business Park – Building C	Northeast	Fastlane Logistics	117,000	Headlease
Crosspoint North	Northeast	Super Pufft Snacks Corp.	86,343	Headlease
4000 106 th Avenue SE	Southeast	Falkbuilt Ltd.	76,968	Sublease
3201 Ogden Road SE	Southeast	Steel-Craft Door Products	48,824	Headlease
Stoney Industrial Centre – Building 3	Northeast	Nemalux Inc.	37,232	Headlease

*Renewals not included in leasing statistics

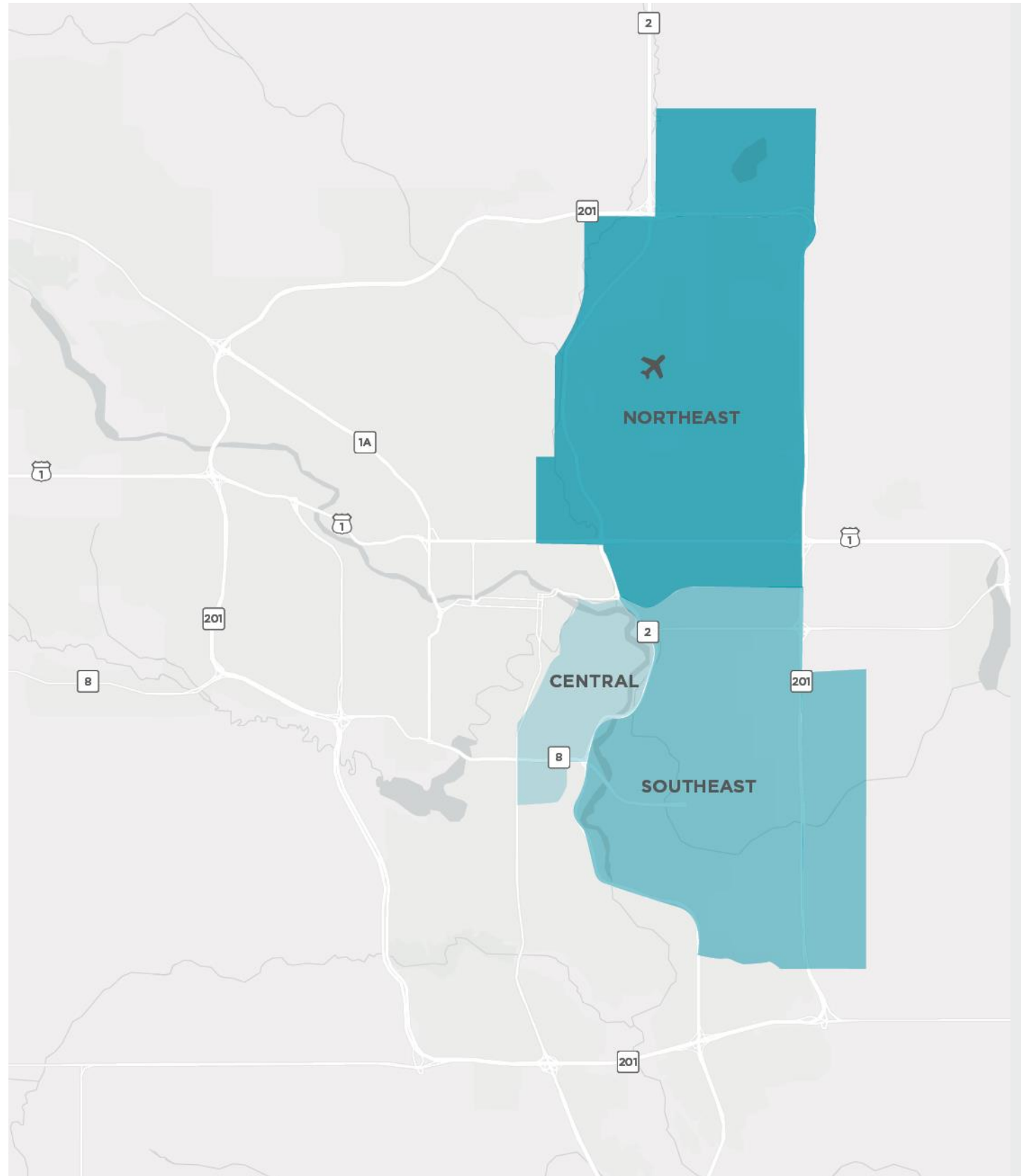
KEY SALE TRANSACTIONS Q3 2024

PROPERTY	SUBMARKET	SELLER/BUYER	SF	PRICE / \$ PSF
8700 Venture Avenue SE	Southeast	Alstar Group / York Realty Inc.	88,795	\$18M / \$203
315 to 401 Manitou Road SE	Southeast	Hyatt Automotive Group / Modern Beauty Supplies	72,985	\$14M / \$192
4415 Glenmore Trail SE	Southeast	ELRUS Aggregate Systems / GLBH Group	40,935	\$7.6M / \$186
4420 to 4504 1 st Street SE	Southeast	Flesher Marble & Tile / Embroidery Systems Canada	18,732	\$2.1M / \$112
11079 50 th Street SE	Southeast	ICONIC Electric & Controls / Dawson Wallace Construction Ltd.	12,870	\$3.2M / \$250

KEY CONSTRUCTION COMPLETIONS YTD 2024

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER/DEVELOPER
Citylink Logistics Centre – Building 2	Southeast	Metro Logistics	543,398	Hopewell Development / Emcor
Interlink Logistics Park – Building 2A	Northeast	Campbell Soup Company	534,148	Hopewell Development
30 High Plains Trail	Northeast	Calgary Logistics Ltd.	486,001	Highfield Investment Group Inc.
Nose Creek Business Park – Building G	Northeast	XTL Transport Inc.	474,060	bcIMC Realty Corp.
260081 Nose Creek Boulevard	Northeast	Sysco Canada	382,025	Quadreal Property Group

INDUSTRIAL SUBMARKETS



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