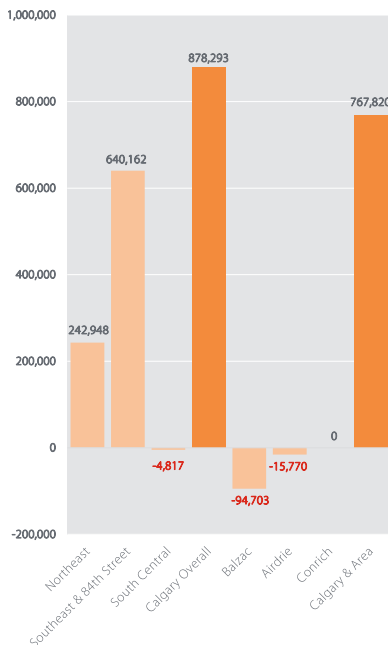


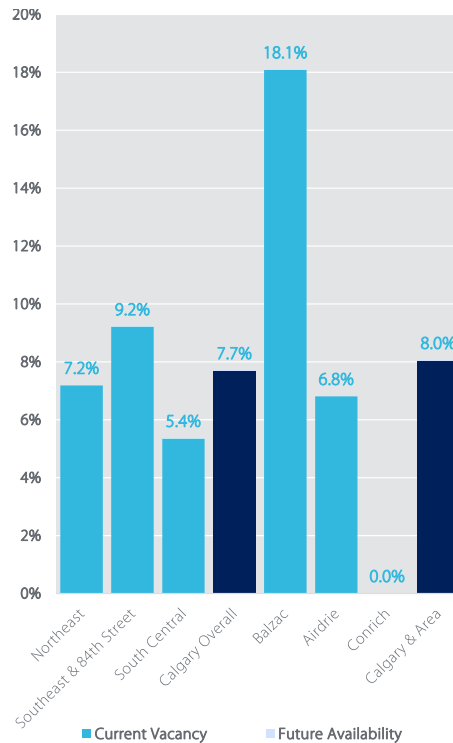
2018 was a return to strong growth for the Calgary and area industrial market. Absorption of space improved dramatically – reaching its highest annual level in four years. Annual absorption for 2018 was 3.8 million square feet (msf), well in excess of the annual average of 600,000 square feet (sf) seen over the previous three years. This level of absorption, in turn, triggered a new development cycle, and contributed to a shrinking supply of large distribution space – with over 3.6 msf delivered in 2018 and a further remaining 2.2 msf under construction at the end of the year.

Even with the sharp increase in new space delivered to the market, the overall availability rate declined over the course of 2018 from 8.7% in fourth-quarter 2017 to 7.9% at the end of 2018. While fourth-quarter 2018 did see vacancy increase from 7.3% in third-quarter 2018 to 7.9%, this increase is the direct result of 60% of new space for 2018 being delivered in that quarter. The fourth-quarter of 2018 specifically saw Calgary's industrial absorption improve its positive trend with 768,000 sf of absorption taking place for the quarter. This brought year-to-date 2018 average quarterly absorption to

Calgary Industrial Absorption by Location



Calgary Industrial Vacancy Rates by Location



942,000 sf. The fourth-quarter vacancy rate for the City of Calgary is 7.6%, while the Balzac vacancy rate is 18.1%*, and the Airdrie vacancy rate is 6.8%. (*It should be noted that Balzac saw its industrial inventory increase by 13% this quarter, and due to its relatively small inventory, vacancy can swing dramatically based on the completion of a large building, or a sizeable lease transaction.)

The current forecast is for continuing positive absorption in 2019. However, with both a provincial and federal election set to take place in 2019, many companies are taking a wait-and-see approach with their business decisions. Depending on what changes result to the political spectrum and resulting policies which directly affect Calgary's heavily energy industry dependent economy, business confidence could be influenced in either direction. If there is further slowdown in Calgary's economy, the industrial vacancy could increase both due to shrinking company requirements and new, unoccupied space being added to the market.

Market Facts

7.9% ▲

Vacancy
(Q3 2018: 7.3%)

7.9% ▲

Availability
(Q3 2018: 7.3%)

768,000 SF +

Absorption
(Q3 2018 - 1,709,000 SF)

2,189,000 SF ▼

Under Construction
(Q3 2018: 3,097,000 SF)

1,860,000 SF ▲

Completed
(Q3 2018: 1,115,000 SF)

Calgary Average Industrial Rental Rates by Size



FOCUS ON INVESTMENT

The demand from investors, both locally and nationally, continues to remain strong for industrial investment opportunities in the Calgary market. The positive absorption of large bay space, which in recent years represented a significant portion of the lagging vacancy in the Calgary market, is a signal of confidence; leading several developers to begin building again. Although there have been few broadly marketed industrial investment opportunities, high-quality product with stable tenant rosters are tremendously sought after.

Investor demand for industrial product is expected to keep cap rate increases in balance as they pursue full and partial interest acquisition opportunities. Toronto and Vancouver-based private equity investors will continue to be quite active around industrial investment trades, along with typical institutional investors and advisors looking to grow or high-grade their portfolios. The positive sentiment towards the Calgary industrial investment market has remained unchanged for the past two years and the ongoing pursuit for opportunities is forecasted to grow stronger in 2019.

Calgary Q4 2018 Industrial Notable Transactions

Lease

Tenant	Address	Size (sf)	Deal Type
2151934 Alberta Ltd.	4100 - 106th Avenue SE	88,194	Headlease
Calgary Archives	7505 - 48th Street SE	87,454	Headlease
Ryder	89 Freeport Boulevard NE	77,397	Headlease

Sale

Purchaser	Address	Size (sf)	Price
Skyline Commercial REIT	5500 - 72nd Avenue SE	201,876	\$37,580,000
Canal Industrial Nominee Inc.	6980 - 108th Avenue SE	226,897	\$36,700,000
Manulife Real Estate	1802-1810 Centre Avenue NE	214,463	\$36,300,000
1856488 Alberta Ltd.	4800 - 27th Street SE	82,066	\$10,400,000
Nobel REIT GP Inc.	41 Royal Vista Drive NW	35,896	\$8,500,000

Sales Source: RealNet Canada Inc.

2018 ANNUAL REVIEW AVISON YOUNG 2019 FORECAST NORTH AMERICA, EUROPE AND ASIA



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DECEMBER LABOUR FORCE SURVEY

Calgary specific
labour and
employment

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BAYTEX ENERGY Q4 2018 HEAVY OIL PRICING UPDATE



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Calgary Q4 2018 Industrial Construction

Industrial New Supply

Project Name	Address	Municipality	Square Feet	Status	% Pre-Leased/Sold	Project Type	Developer
Great Plains Business Park - Building C	7090 - 57th Avenue SE	Calgary	157,067	Complete	0%	Multi-Tenant - Speculative	Hopewell Development
High Plains Building 2	260258 High Plains Boulevard	Balzac	418,346	Complete	100%	Multi-Tenant - Speculative	Bentall Kennedy
Nose Creek Business Park - Building D	293026 Colonel Robertson Way	Balzac	266,515	Complete	0%	Multi-Tenant - Speculative	QuadReal
StoneGate Building B	11500 Barlow Trail NE	Calgary	607,200	Complete	0%	Multi-Tenant - Speculative	ONE Properties
YYC Global Logistics Centre	566 Aero Drive NE	Calgary	121,165	Complete	25%	Multi-Tenant - Speculative	
Ryan Road Business Centre	253120 Ryan Road	Rocky View	46,800	Complete	54%	Condos	18SixtySeven
Saddleridge Business Park A2	8651 - 38th Street NE	Calgary	150,103	Complete	0%	Multi-Tenant - Speculative	Triovest
Saddleridge Business Park A3	8650 - 36th Street NE	Calgary	92,645	Complete	0%	Multi-Tenant - Speculative	Triovest

Industrial Under Construction

Project Name	Address	Municipality	Square Feet	Expected Completion	% Pre-Leased/Sold	Project Type	Developer
Grasslands Logistics Centre	5730 - 80th Avenue SE	Calgary	214,112	Q1 2019	0%	Multi-Tenant - Speculative	Morguard
South Calgary Distribution Centre 1	6600 - 72nd Avenue SE	Calgary	498,618	Q2 2019	0%	Multi-Tenant - Speculative	Hopewell Development
2225 - 3rd Avenue NE	2225 - 3rd Avenue NE	Calgary	52,260	Q2 2019	0%	Multi-Tenant - Speculative	
7307 - 106th Avenue SE	7307 - 106th Avenue SE	Calgary	22,655	Q2 2019	0%	Multi-Tenant - Speculative	
Glacier Village Business Park 2	7865 - 56th Street SE	Calgary	24,000	Q2 2019	17%	Condos	
10645 - 74th Avenue SE	10645 - 74th Avenue SE	Calgary	30,500	Q3 2019	25%	Condos	Engelhart Reed
Oxford Airport Business Park L	1625 - 100th Avenue NE	Calgary	257,580	Q3 2019	0%	Multi-Tenant - Speculative	Oxford Properties
StoneGate Building D	11810 Barlow Trail NE	Calgary	176,796	Q3 2019	59%	Multi-Tenant - Speculative	Hopewell Development
StoneGate Building 6A	10 Stonehill Place NE	Calgary	239,828	Q3 2019	0%	Multi-Tenant - Speculative	ONE Properties
StoneGate Building 6B	10 Stonehill Place NE	Calgary	98,332	Q3 2019	0%	Multi-Tenant - Speculative	ONE Properties
Glenmore Junction	3907 Glenmore Trail SE	Calgary	49,958	Q3 2019	0%	Multi-Tenant - Speculative	OPUS
Crosspointe Industrial Park 1	292088 Crosspointe Road	Balzac	524,490	Q3 2019	0%	Multi-Tenant - Speculative	Hopewell Development

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