

Calgary & Area

Calgary's strong user growth in Q4 makes its industrial market well positioned for 2021

- Vacancy and availability rates declined in Q4
- “Big Box” distribution centers were the most sought-after product type and this is expected to continue into 2021
- Q4 absorption totaled nearly 1,600,000 s.f.

With 2020 now behind us, Calgary's industrial market weathered another rigorous and challenging year. Despite COVID-19's impacts, the industrial market has remained the most resilient among other real estate asset classes and to some extent, prospered. In Q4 we saw nearly 1.6 million s.f. of positive net absorption, and vacancy rates have dropped noticeably from 7.0% to 6.2%. One of the largest deals to account for this absorption was Canadian Tire for almost 500,000 s.f. in SE Calgary, Sleep Country leasing 102,624 s.f. at 11 Dufferin Place SE, and 139,885 s.f. was leased at 4100 Westwinds Dr NE. There are a number of other active deals currently which we expect to continue to push vacancy down in Q1, 2021.

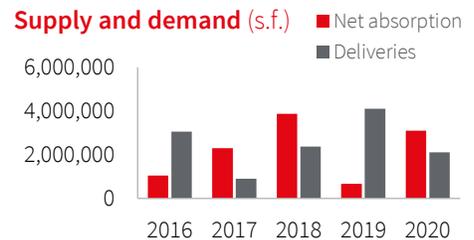
“Big box” distribution and warehouse spaces continue to thrive in the Greater Calgary Area. These spaces are 100,000 s.f. or greater, with ceilings heights of 28 feet and higher. The market changes through last year acceleration of online shopping and delivery have continued to make these building highly sought after. On the other side of the spectrum, there has been significant diversions in the sub-20,000 s.f. market. With a variance in risk tolerance and capital, many of these tenants occupying smaller bay spaces have experienced mixed fortunes.

Calgary will be seeing six new noteworthy developments breaking ground this year. In north Calgary and Balzac these include Enright's Airport Crossing Building 5 for 172,150 s.f., Hopewell's Crosspointe Building 2 in Balzac for 200,274 s.f., and Highfield's building 7 at 409,360 s.f., while in the SE Gregg Distributors' design build in Eastlake is under construction at 132,827 s.f..

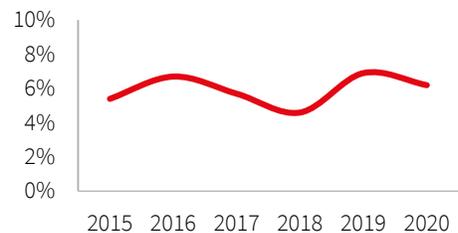
Outlook

With nearly half of the entire year's absorption occurring in the last quarter, this can be a strong indicator of continued strength in 2021. We will likely continue to see vacancy decline through the year, with rental rates holding stable or starting to see upward pressure.

Fundamentals	Forecast
2020 net absorption	3,096,003 s.f. ▲
Under construction	1,884,304 s.f. ▼
Total vacancy	6.2% ▼
Sublease vacancy	682,574 s.f. ►
Direct asking rent	\$9.88 p.s.f. ►
Concessions	Stable ►



Total vacancy (%)



Average asking rent (\$ p.s.f.)





Industrial Statistics

	Inventory (s.f.)	Quarterly total net absorption (s.f.)	YTD total net absorption (s.f.)	YTD total net absorption (% of stock)	Total vacancy (%)	Total availability (%)	Direct Average asking net rent (\$ p.s.f.)	Quarterly Completions (s.f.)	YTD Completions (s.f.)	Under construction (s.f.)
Balzac	8,061,515	45,777	779,977	9.7%	11.1%	11.5%	\$9.18	21,600	571,251	1,408,250
Northeast	46,381,824	30,344	713,093	1.5%	7.6%	9.4%	\$9.02	241,970	864,742	148,054
South Central	23,872,311	293,247	178,731	0.7%	4.2%	7.8%	\$8.72	0	89,118	0
Southeast	64,785,096	1,133,551	1,359,084	2.1%	5.4%	7.9%	\$10.69	0	500,754	268,000
Outlying	10,800,490	38,084	65,500	0.6%	5.0%	6.9%	\$11.87	0	82,260	60,000
Calgary & Area Total	153,901,236	1,541,003	3,096,385	2.0%	6.2%	8.0%	\$9.88	263,570	2,108,125	1,884,304