

Calgary & Area

Demand from the film industry emerges as the industrial market sees strong fundamentals

- Vacancy dropped 90 basis points in a single quarter and 170 basis points in the last 2 quarters
- Net absorption was over 1.6 million s.f., well above the 5-year historic average of 580,000 s.f.
- Average asking rental rates are up 2.6% year over year and have remained relatively flat over the past several years

The Calgary market has started the year strong with vacancy declining rapidly for the second straight quarter. Strong demand from large users witnessed at the end of last year has carried over into 2021 as many notable large deals were reached this quarter. The largest new deal of the quarter was inked by a food distributor for over 240,000 s.f. at High Plains Building 3 in Balzac. Metro Logistics also got into the action in a big way signing deals at both 4100 Westwinds Drive NE and 11550 Barlow Trail NE for about 160,000 s.f. each. Meanwhile Groupe Touchette Real Estate Inc. purchased 4640-4888 72nd Avenue SE at 245,500 s.f. amid increasingly active sales activity.

The biggest story this quarter was the explosion of the film industry taking industrial space for production and further adding to the diversity of users in the Calgary market. Notably, William F. White leased 109,000 s.f. at 6740 76 Avenue SE and 87,000 s.f. at 5616 80 Avenue SE, while SIM International took 67,000 s.f. at 4900 52nd Street SE. MBS Studios has also leased over 100,000 s.f. through multiple properties in SE Calgary. As demand for streaming services has flourished during the ongoing pandemic production studios have been active in hubs like Vancouver. However, with vacancy near historic lows, studios have migrated inland in search of space.

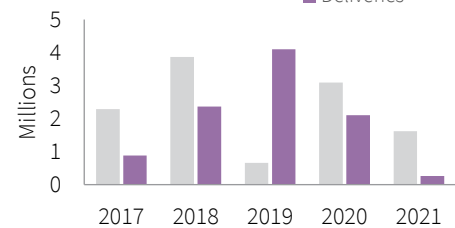
On the construction front completions were modest on the quarter totaling about 270,000 s.f. and most of it was already accounted for by users. Notably, the CHEP built to suit was the largest completion on the quarter at 150,000 s.f. Under construction space has begun to ramp up with the commencement of 261053 Range Road 292 and High Plains Building 7 at about 200,000 and 400,000 s.f. respectively. However, the construction pipeline is still 72.0% leased or sold to users, so little of this new product will still be available upon completion.

Outlook

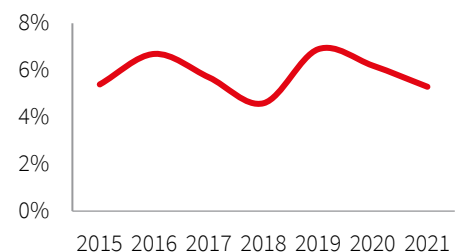
Vacancy is expected to continue to decline through 2021 due to strong demand from an increasingly diverse user mix and minimal speculative completions expected for the rest of this year. Rental rates, which have been flat for the past several years, are expected to see upward pressure as the market continues to tighten.

Fundamentals	Forecast
YTD net absorption	1,619,818 s.f. ►
Under construction	2,428,274 s.f. ▲
Total vacancy	5.3% ▼
Sublease vacancy	1,548,457 s.f. ▼
Direct asking rent	\$9.83 p.s.f. ▲
Sublease asking rent	\$5.51 p.s.f. ▲
Concessions	Stable ►

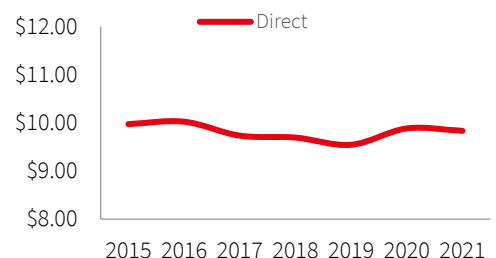
Supply and demand (s.f.)



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	8,224,730	387,526	387,526	4.7%	8.0%	8.0%	\$9.18	150,000	150,000	1,860,574
Northeast	46,151,309	663,824	663,824	1.4%	6.5%	9.1%	\$9.16	120,895	120,895	57,700
South Central	23,911,801	27,777	27,777	0.1%	4.0%	6.5%	\$8.73	0	0	0
Southeast	65,067,883	464,075	464,075	0.7%	4.6%	6.5%	\$10.47	0	0	450,000
Outlying	10,778,517	76,616	76,616	0.7%	4.3%	5.6%	\$12.35	0	0	60,000
Calgary & Area Total	154,134,240	1,619,818	1,619,818	1.1%	5.3%	7.3%	\$9.83	270,895	270,895	2,428,274