

Calgary & Area

A third consecutive quarter of decreasing vacancy and strong positive absorption for Calgary's industrial market.

- Vacancy dropped 70 basis points in Q2 and 240 basis points over the past 3 quarters
- Year to date net absorption is over 3.3 million s.f., well above the 5-year historic average
- Average asking rental rates are expected to increase due to lower inventory and increasing construction costs

The Calgary industrial market has seen a rapid decline in vacancy since last fall amid a surge in user demand which is expected through the end of 2021. Leasing activity has continued at a rapid pace with several notable large deals getting inked in the quarter. These include an e-commerce user taking the remaining 222,300 s.f. in 292083 Crossfield Road and Immeubles RD Ltd. taking 126,907 s.f. at 261053 Range Rd 292 RD, both in Balzac.

Real estate investors are taking a keen interest again in the sector, as Calgary's occupancy growth has surged since the second half of last year. Investment sale transactions were non-existent through the initial wave of COVID as investors were nervous. As market data showed strength through the end of 2020, investment activity began, with the first half of 2021 involving record breaking low capitalization rates for the Calgary Industrial Market. Several large transactions are expected to close shortly with cap rates at historic lows for the Calgary market for brand new generation large format distribution space with quality covenant tenants in place. With limited available investment product in Canada's largest markets, Calgary has seen increased attention, where cap rates generally offer higher yields. We believe the low capitalization rates and increased property values will result in more investment sale transactions occurring, as owners look to upgrade their portfolio to new product and transact out of some older generation inventory.

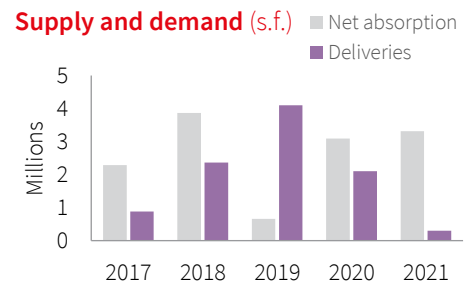
On the construction front, completions for the quarter totaled only 34,000 s.f. and just over 300,000 s.f. year to date. This is due to the early and mid 2020 lack of ground breakings when the initial wave of COVID-19 hit. However, the pace of completions is expected to pick up for the second half of the year with over 3.0 million s.f. of new space expected by the end of the year or early in 2022. The most notable among these will be Lowe's new 1.2 million s.f. facility in Balzac, the second largest industrial building in Greater Calgary.

Outlook

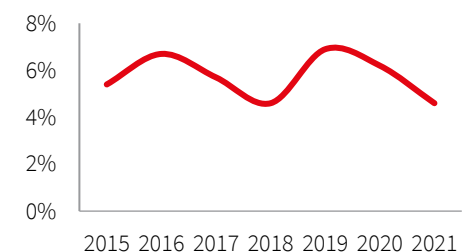
Vacancy is expected to continue to decline through 2021 due to strong demand and minimal speculative completions expected for the rest of this year. Rental rates, which have been flat for the past several years, are expected to see upward pressure as the market continues to tighten.

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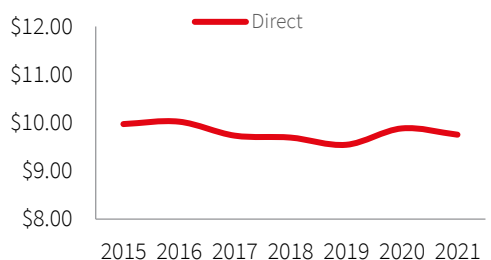
Fundamentals	Forecast
YTD net absorption	3,319,730 s.f. ►
Under construction	2,725,457 s.f. ▲
Total vacancy	4.6% ▼
Sublease vacancy	1,271,825 s.f. ▼
Direct asking rent	\$9.75 p.s.f. ▲
Sublease asking rent	\$6.93 p.s.f. ▲
Concessions	Stable ►



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	8,258,730	25,604	413,139	5.0%	8.1%	8.1%	\$10.37	34,000	184,000	1,434,080
Northeast	46,175,069	676,310	1,340,134	2.9%	5.0%	7.5%	\$9.32	0	120,895	93,400
South Central	23,911,801	21,846	49,623	0.2%	4.0%	5.8%	\$8.65	0	0	0
Southeast	65,108,851	777,224	1,241,299	1.9%	3.5%	5.3%	\$10.10	0	0	1,123,727
Outlying	10,818,517	198,919	275,535	2.5%	2.5%	3.8%	\$11.55	0	0	74,250
Calgary & Area Total	154,272,968	1,699,903	3,319,730	2.2%	4.6%	6.9%	\$9.75	34,000	304,895	2,725,457

Key Lease Transactions

Address	Landlord	Tenant	SF Leased	Lease Type
292083 Crosspointe Rd	Hopewell Development Corp.	e-Commerce User	222,300	Headlease
5805-5885 - 51st Street SE	Summit Industrial Income REIT	X-treme Packaging Services	145,841	Headlease
11550 Barlow Trail NE	One Properties	Spartan Controls	138,600	Headlease
261053 Range Rd 292 RD	Hopewell Development Corp.	Immeubles RD Ltd.	126,907	Headlease
293029 James Way NE	QuadReal Property Group	Bolt Supply House Ltd.	101,130	Headlease
4441 - 76th Avenue SE	H & R Real Estate Investment Trust	Easy Trim Reveals Inc.	100,757	Headlease

Key Sale Transactions

Address	Seller	Purchaser	SF Sold	Acres	Price
4300 - 50th Avenue SE	AP Infrastructure Solutions GP	Private Buyer	128,866	21.15	\$10,300,000
2015 Centre Avenue SE	Hungerford Properties	2116642 Alberta Ltd.	110,585	6.00	\$8,290,000
5616 - 80th Avenue SE	Canrig Drilling Technology Canada Ltd.	Private Buyer	87,743	6.34	\$9,700,000
1515 - 28th St NE & 1616 Meridian Rd NE	Myshak Group of Companies	GEO Pressure Systems Inc.	83,386	5.07	\$7,000,000
5920 - 40th Street SE	Kingsett Capital	Alqaym Properties Ltd.	51,544	3.68	\$5,250,000

Key YTD Land Sale Transactions

Address	Seller	Purchaser	Acres	Price	Price Per Acre
11575 & 11576 Stonehill Drive NE	AIMCo (50% interest)	Crestpoint Real Estate (50% interest)	57.90	\$20,844,000	\$720,000
10811 - 84th Street SE	Acre Properties Ltd.	Make Space Alberta Property GP Inc.	15.03	\$5,500,000	\$365,935