

Calgary & Area Industrial Insight

Q4 2023

Vacancy rises on strong construction completions but
user growth remains strong





Calgary & Area

- Calgary’s industrial vacancy rate rose to 3.1% in Q4 2023 as an influx of new buildings were delivered to the market.
- Inventory for small to medium bay product remains tight.
- Average rental rates decreased slightly from last quarter.

Calgary’s industrial vacancy rate rose to 3.1% in Q4 2023 as an influx of new buildings were delivered to the market, primarily in the final month of the year. This resulted in an additional 3.5 million s.f. added to the market, accounting for 48% of the total square feet under construction. Another 3.8 million s.f. remains under construction and is primarily scheduled to be delivered in Q1 2024. During Q4 2023, Balzac experienced the most growth representing 52% of construction completions, followed by the Southeast submarket with 28%, the Northeast submarket with 15% and the outlying submarket representing 6% of total construction completions. A total of 1.1 million s.f. of completed inventory was preleased, or 32% of new buildings brought to market. The balance of unleased completed inventory and was responsible for the increase in the vacancy rate.

Despite the increase in vacancy, net absorption in Q4 was positive at 1.8 million s.f., with 3.4 million s.f. absorbed throughout 2023. Average rental rates decreased slightly from last quarter, dropping from \$10.84 per s.f. in Q3 to \$10.67 per s.f. in Q4. However, there was still a marginal increase of 1.4% year-over-year compared to the average rate of \$10.52 per s.f. in Q4 of 2022. Inventory for small to

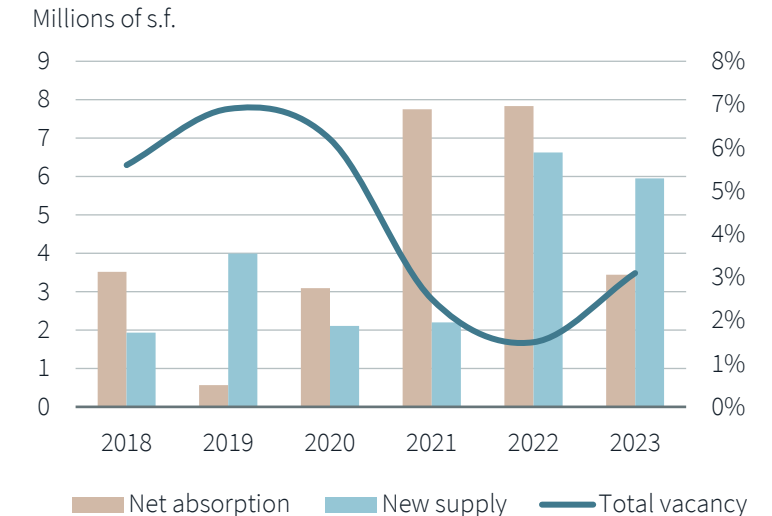
medium bay product remains tight as the majority of the new product being constructed caters to larger users. This has placed upward pressure on small to medium bay rental rates.

Outlook

We are anticipating a total of 4.4 million s.f. of speculative construction completions in 2024, of which 21% or 942,714 s.f. is already preleased. With tenant absorption slowing somewhat nationwide, developers are carefully watching the trends and analyzing their projects in relation to the competition, to decide when and what they build. The anticipated decrease in interest rates in 2024 may provide a more favorable environment for construction to continue to thrive. All things considered, Calgary remains an appealing location for industrial occupants looking to relocate or grow, partially due to its affordability compared to Toronto and Vancouver, and growth is expected to continue.

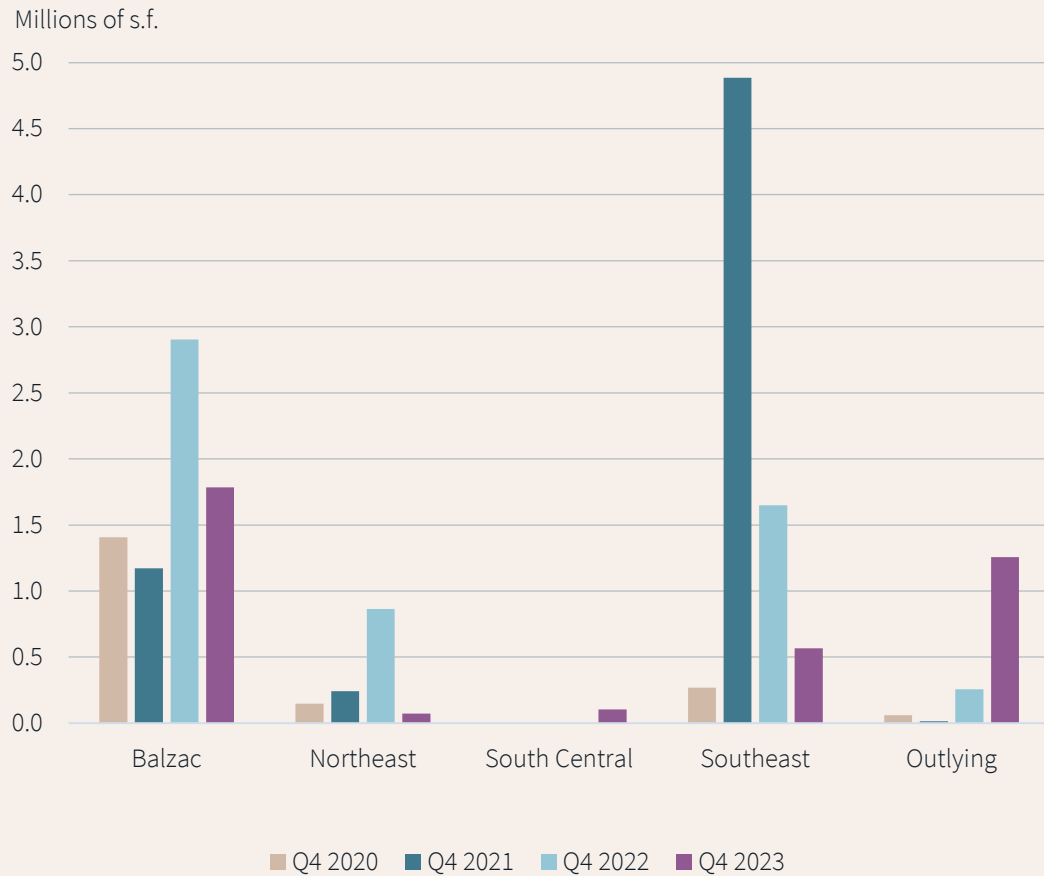
Fundamentals		Forecast
YTD net absorption	3,442,181 s.f.	▲
Under construction	3,787,585 s.f.	▼
Under construction preleased	56.0%	▼
YTD deliveries	5,951,624 s.f.	▲
Total vacancy	3.1%	▶
Total availability	5.1%	▶
Average asking rent	\$10.67 p.s.f.	▶
Concessions	Rising	▲

Historical supply and demand

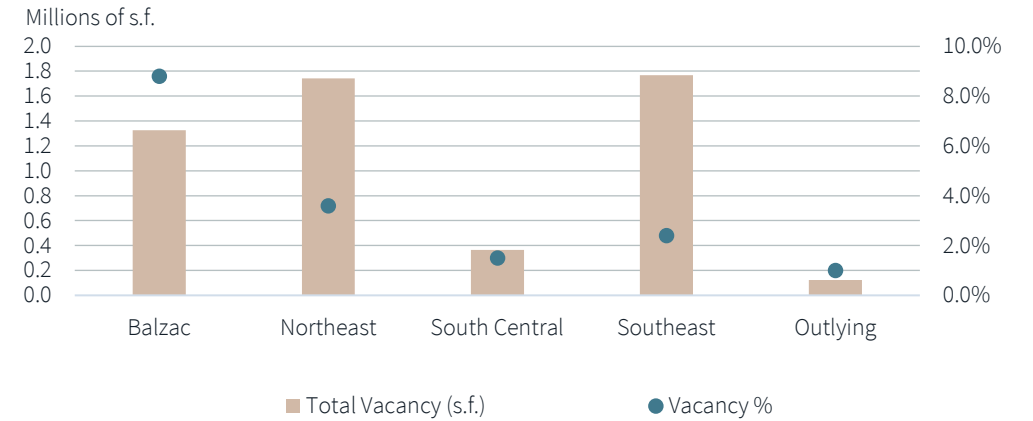




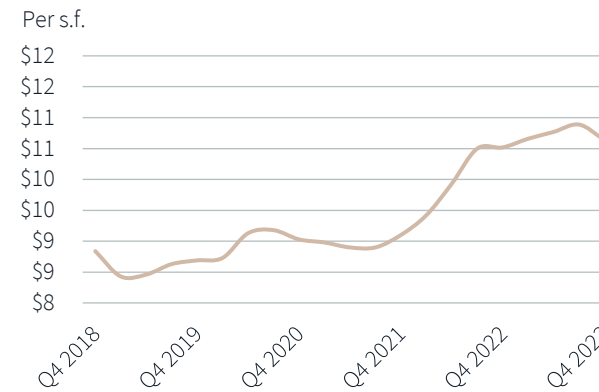
Under construction by submarket



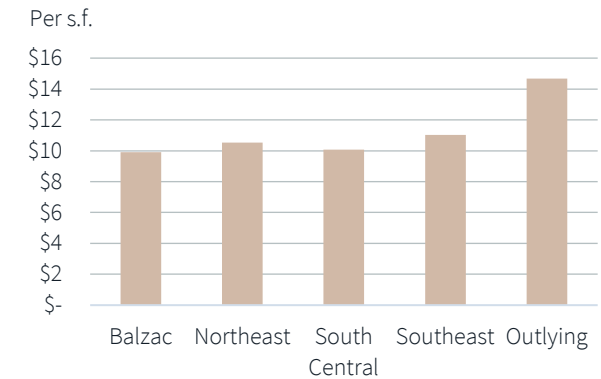
Vacancy by submarket



Average net asking rents



Average net rent by submarket





Notable lease transactions

Address	Submarket	Tenant	Size (s.f.)	Type
12290-18 Street NE	Northeast	Bass Pro/Cabelas/Exel Canada	416,473	Renewal
5350 - 86 Avenue SE	Southeast	Lennox Industries (Canada) Ltd	145,408	Renewal
5820-5870 - 48 Street SE	Southeast	Hardwoods Specialty Products	74,417	Renewal
5630-61 Avenue SE	Southeast	Lindstrom Fastener (Canada) Ltd	64,748	New Lease
5555-69 Avenue SE	Southeast	Titan GMS Limited Partnership	59,514	Renewal
5820-5870 - 48 Street SE	Southeast	Alberta Energy Regulator	53,314	Renewal

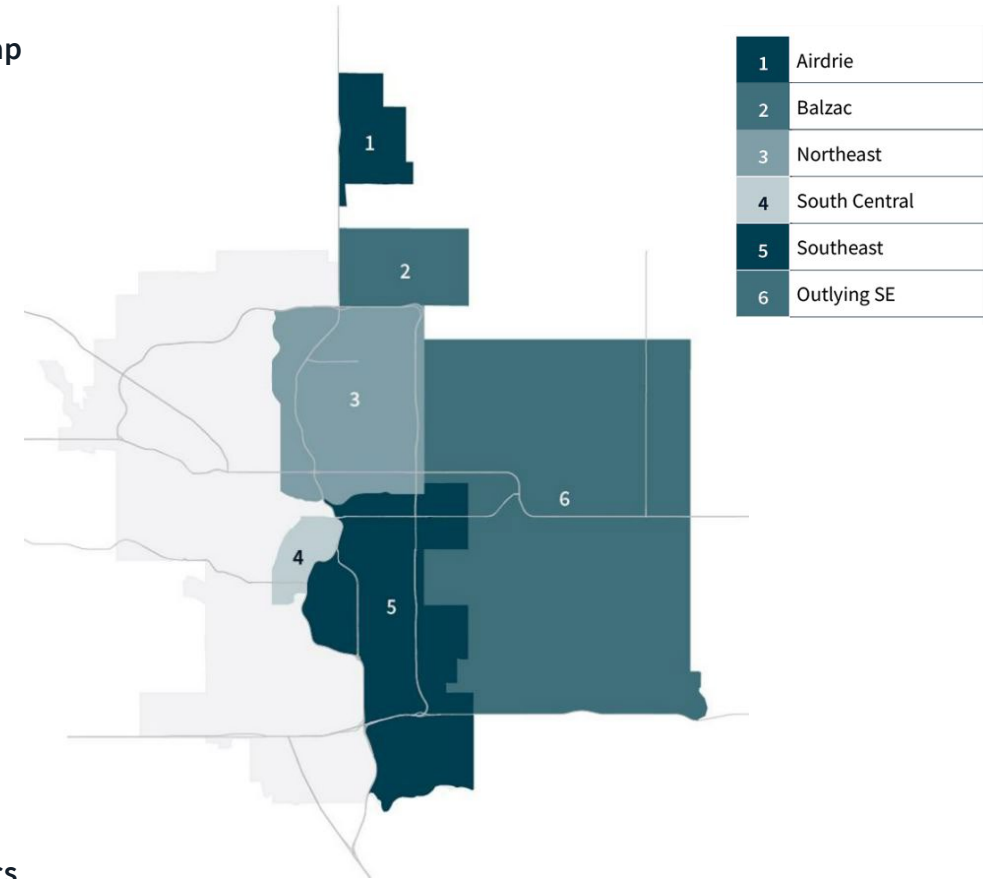
Notable sale transactions

Address	Seller(s)	Buyer(s)	RBA (s.f.)	Price (\$M)	Price PSF
3110-3360 - 14 Avenue NE	Lee Energy Systems Inc.	Trivan Capital Corporation	226,471	\$28.3	\$125
7911-8 Street NE, 7854 & 7912-10 Street NE	Investors Group	Mancal Properties Inc	181,211	\$31.5	\$174
7552-10 Street NE	Agassiz Investments Ltd	Solid Crossing Inc	22,649	\$4.2	\$188
467 Exploration Avenue SE	1693605 Alberta Ltd	SMSA Ventures Ltd	19,200	\$5.3	\$279

Notable land transactions

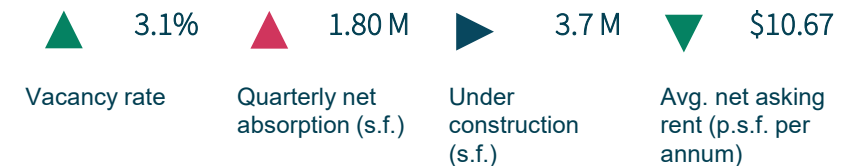
Address	Seller(s)	Buyer(s)	Price (\$M)	Acres	Price PA
6922-107 Avenue SE	The City of Calgary	CB Supplies Ltd	\$3.3	4.56	\$741
5420-24 Street SE	Scott Builders Inc	JPS Furnace & Air Conditioning Ltd	\$1.2	1.65	\$757
5291-28 Street SE	Tribune Developments Inc	Eastpoint Centre Ltd	\$1.6	2.02	\$838

Market map



Key metrics

Greater Calgary





Market statistics

	Inventory (s.f.)	Total net absorption (s.f.)	YTD total net absorption (s.f.)	YTD total net absorption (%)	Total vacancy (%)	Total availability (%)	Average direct net asking rent (\$ p.s.f.)	Quarterly Completions (s.f.)	YTD Completions (s.f.)	Under construction (s.f.)
Balzac	15,115,971	978,311	1,877,195	12.4%	8.8%	9.2%	\$9.90	1,796,845	3,157,996	1,785,128
Northeast	48,263,955	15,248	69,146	0.1%	3.6%	5.6%	\$10.52	523,342	869,896	72,321
South Central	24,054,740	91,651	50,925	0.2%	1.5%	2.8%	\$10.07	0	0	105,800
Southeast	72,361,288	614,970	855,603	1.2%	2.4%	5.3%	\$11.02	971,485	1,542,367	566,577
Greater Calgary	159,795,954	1,700,180	2,852,869	1.7%	3.3%	5.4%	\$10.63	3,291,672	5,570,259	2,529,826
Airdrie	5,455,709	-20,763	170,628	1.2%	0.5%	0.8%	\$15.00	0	187,414	0
Outlying SE	6,430,623	126,7030	418,689	5.0%	1.5%	1.8%	\$14.63	193,951	193,951	1,257,759
Outlying Greater Calgary	11,886,332	105,940	589,312	4.9%	1.0%	1.3%	\$14.67	193,951	381,365	1,257,759
Calgary	171,682,286	1,806,120	3,442,181	2.0%	3.1%	5.1%	\$10.67	3,485,623	5,951,624	3,787,585