

CALGARY INDUSTRIAL REAL ESTATE

MID YEAR MARKET OVERVIEW Q3 2019



Q3 Vacancy

6.55%
OVERALL Q3 RATE



+0.38%
FROM Q2 2019

Q3 Absorption

+451,405
SQUARE FEET

Vacancy by Quadrant

Central	3.00%	↓
North East	7.61%	↑
South East	6.02%	↑
Greater Area	12.88%	↓

INDUSTRIAL LAND OVERVIEW

With available City of Calgary land diminishing quickly, demand for land in surrounding areas, especially in Rocky View County, is increasing. Of the 79 acres of industrial land that sold in the third quarter of 2019, 64 acres were located out of the City, in Rocky View County. Demand for fully serviced and limited serviced land in industrial parks has increased due to the continued growth of the trucking and transportation industry in Canada. Third Party Distribution, as well as service and construction related businesses, have been in high demand for industrial land.

Fulton Industrial Park is an industrial park located just ten minutes outside City limits. The park offers land parcel sizes of 2.5 acres and greater with pricing at \$350,000/acre, which is less than half the cost of comparable City land.

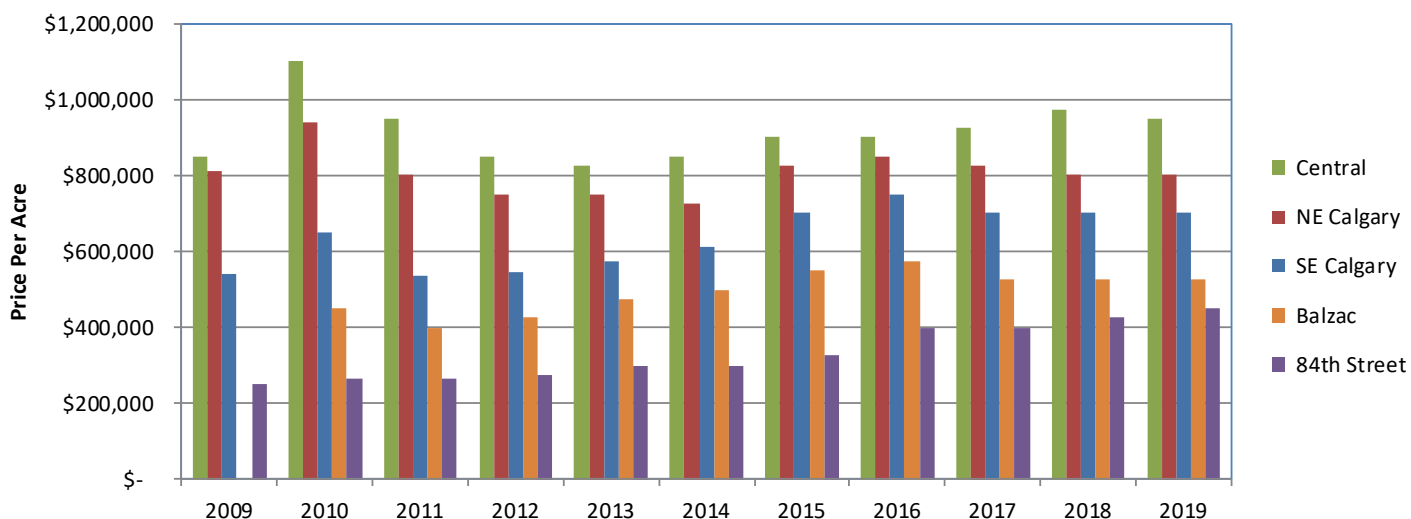
Balzac also has various industrial parks offering fully serviced land with pricing ranging from \$450,000 to \$600,000 per acre. This compares to similar land in Northeast Calgary, which is priced at +/- \$1 million per acre.

Property taxes continue to remain a point of contention for many business owners in Calgary. By relocating a business outside City limits, business owners have an opportunity to cut their property taxes in half.

As the Ring Road continues to improve transportation infrastructure, it has become increasingly easier for companies to relocate on the periphery of the City.

**Note for Business Owners: Land prices have dramatic differences based on zoning, location, site servicing and site work, to name a few.*

INDUSTRIAL RAW LAND PRICES PER ACRE



MARKET OVERVIEW

As expected, the vacancy rate for the third quarter increased slightly from 6.17% last quarter to 6.55% in Q3. This is mainly attributable to the completion of new speculative construction. There was a total of 908,881 square feet under construction last quarter that was completed this quarter. Of that, 772,500 square feet were large distribution centres located in Stonegate Industrial in Northeast Calgary. We also saw a large increase of 'planned' projects move to under construction during the third quarter. In the second quarter of 2019, we saw 90,922 square feet move to under construction, while this quarter brought 331,411 square feet to under construction. Almost two thirds of the square feet under construction is located in Great Plains Industrial Park in Calgary's Southeast market, which has continued attraction due to close proximity to Stoney Trail and Glenmore Trail SE.

Absorption remained strong for the third consecutive quarter at +451,405 square feet. Overall activity has increased since the second quarter, as business owners and decision makers are back from summer vacations and are preparing for the winter months ahead. Companies' timelines to move have shortened and there have been greater inducements offered to tenants looking to move, as well as early renewals. Sentiment in the market seems better, despite the uncertainty of the federal election in October.

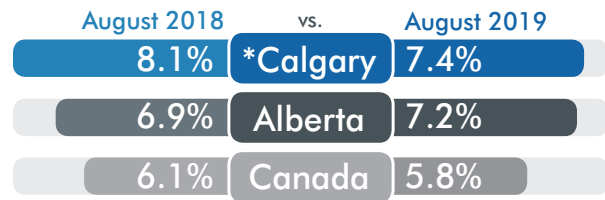
PROPERTY TAX INCREASES

As previously mentioned, the property tax increases have forced many business owners to cut costs elsewhere or simply close their doors. Tax bills issued in 2019 increased by approximately 12% from those issued in 2018, based on the non-residential property mill rate. Property tax assessments are largely driven by comparable sale transactions which focus on the zoning of a property and the square footage of the building. We expect another increase in property taxes in 2020. However, as the City cannot figure out how to deal with the continued shortfalls in downtown values, there is no certainty as to how 2020 will look.

**Note for Single-Use Owner Users : As an Owner User, finding an effective tax strategy with your Accountant such as creating a holding company in addition to the operating company will keep your bookkeeping cleaner and more streamlined.*

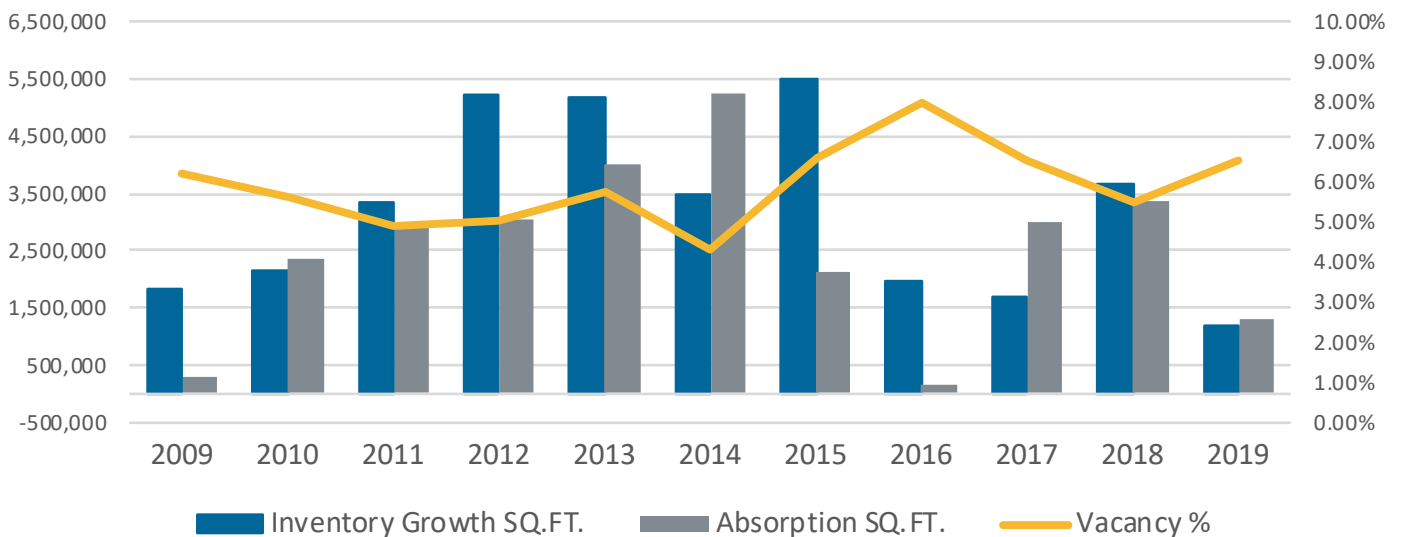
CALGARY VS. CANADA | UNEMPLOYMENT RATE COMPARISON

Canada-wide unemployment decreased from 6.1% to 5.8% from August 2018 to August 2019. Calgary mirrored this trend with slightly higher numbers from 8.1% to 7.4% due to a higher student unemployment rate.



*Calgary Economic Region

ANNUAL INDUSTRIAL MARKET INDICATORS



FEATURE PROPERTIES

NOTABLE TEAM LISTINGS



FOR SALE | 5019 - 90th Avenue SE
18,783 sq.ft. on 2.20 acres



FOR LEASE | 4300 - 116th Avenue SE
10,000 sq.ft. on 0.99 acres

NOTABLE TEAM TRANSACTIONS



LEASED
6000 - 72nd Street SE
23,300 sq.ft.



LEASED
515 - 58th Avenue SE
45,982 sq.ft. on 2.0 acres



SUBLEASED
3815 - 32nd Street NE
11,758 sq.ft.

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