

## CALGARY INDUSTRIAL REAL ESTATE MARKET OVERVIEW

### Q4 Vacancy

**5.48%** **+0.04%**  
OVERALL Q4 RATE FROM Q3 2018

### 2018 Absorption

**+3,365,496**  
SQUARE FEET

### Vacancy by Quadrant

Central	3.54%	↓
North East	7.08%	↑
South East	4.81%	↓
Greater Area	7.47%	↑

Calgary's industrial market vacancy appears to be stabilizing, as vacancy at the end of 2018 stayed relatively flat, climbing just 4 basis points to 5.48%. This is the first increase following six consecutive quarters of decline from the high of 7.99% reached in Q1 of 2017. The delivery of several new warehouse construction projects in the fourth quarter resulted in an inventory increase of approximately 785,500 sq.ft., with another **2,700,000 sq.ft. still under construction. Of this amount, a substantial 2,200,000 sq.ft. is being built on a speculative basis.**

Overall absorption through 2018 was just over 3,300,000 sq.ft. with the fourth quarter alone accounting for roughly 1,500,000 sq.ft. or nearly half of the year's total. In 2017 the market had just under 2,500,000 square feet of positive absorption, which came off the heels of a relatively weak 2016 which had just under 500,000 square feet of positive absorption. The 2018 market fundamentals support the belief of strong velocity heading into 2019. The above-mentioned speculative construction pipeline is expected to deliver 675,000 sq.ft. in the first quarter, 1,020,000 sq.ft. in Q2, and 600,000 sq.ft. in Q3.

Additional speculative construction projects are expected to be announced in the coming months, which will mean more construction commencing summer 2019. Given the amount of interest currently in the market by larger distributors, it is expected that this new inventory will be absorbed in short order. **We are therefore forecasting vacancy to remain in the 5% to 6% range through 2019,** depending on the amount of absorption seen. If absorption is strong in the first half of the year, vacancy could drop below 5% which will trigger further construction activity in the second half of the year. The overwhelming majority

of new product under construction is large format distribution facilities. Small bay condominium projects are also prominent, with ten projects currently under construction in the greater Calgary area, representing over 450,000 square feet.

Sublease space as a percentage of vacancy remains relatively low at 8.14% of total availability on the market. This is a positive sign indicating companies that have their operations in the city are managing to uphold their facility commitments despite ongoing negative economic headlines. This contrasts sharply with the downtown office market where roughly one quarter of all vacancy is sublease space.

**Notable lease transactions completed in 2018 include the finalization of Amazon's 600,000 sq.ft. fulfillment centre in Balzac with QuadReal, Home Depot's new 420,000 sq.ft. e-commerce centre in Balzac with Bentall / Highfield Investment Group, and Uni-Select's amalgamation of their western Canadian distribution facilities into 296,085 sq.ft. at Oxford's Airport Business Park.**

With over 10 new lease transactions greater than 100,000 square feet occurring in 2018, there are four speculative distribution facilities between 200,000 and 550,000 square feet in size under construction by developers specifically targeting these tenants.

There were several sale transactions in 2018 over 200,000 sq.ft. with the most notable being Tribal Partners' Intermodal's sale of the 416,000 sq.ft. Princess Auto facility in Conrich to AIMCO. There were also six notable industrial investment transactions greater than 100,000 square feet. Institutional investor interest in the Calgary market

remains strong. The condominium sale market remained strong with roughly 130 units changing hands throughout 2018. Beedie Developments completed two substantial projects in 2018 and have broken ground on another in southeast Calgary.

Industrial land sales continued to be soft for the first half of 2018, but picked up notably in the later part of the year. **Only 90.9 acres of fully serviced land transactions were completed in 2018, which was down substantially from the 172 acres sold in the greater Calgary area in 2017.**

Sales of existing buildings to owner-user purchasers is expected to remain strong into 2019 as interest rates should remain stable, despite the interest rate raising five times in the prior 15 months. Owner-user property values are seeing notable upward pressure as existing available inventory has been decreasing quickly in line with the decreasing vacancy rates.

Despite the optimistic picture the industrial real estate market numbers indicate, 2018 was a challenging year for many local businesses. The lack of political will to complete pipeline projects coupled with the introduction of a carbon tax have taken their toll on Calgary and Alberta businesses.

The shifting of Calgary's property tax base from the struggling downtown office market to suburban industrial and retail businesses has most companies bracing for yet another increase in their cost to operate. Companies will be looking at gross rent vs net rent as property taxes continue to escalate year over year.

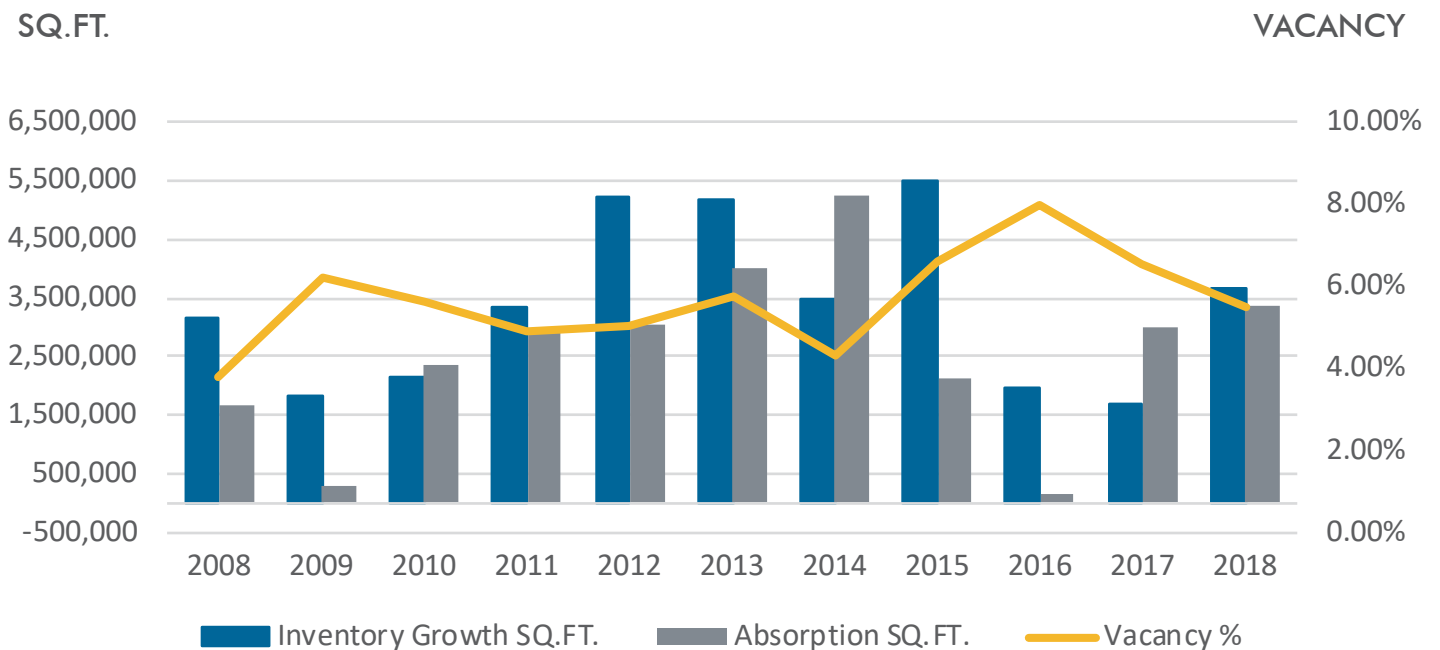
# MARKET STATISTICS

15,946,790 TOTAL SQ.FT. AVAILABLE | 659 TOTAL LISTINGS

0 - 10,000 SF	10,001 - 30,000 SF	30,001 - 60,000 SF	60,001 - 100,000 SF	100,001+ SF
NUMBER OF LISTINGS <b>366</b>	NUMBER OF LISTINGS <b>187</b>	NUMBER OF LISTINGS <b>62</b>	NUMBER OF LISTINGS <b>26</b>	NUMBER OF LISTINGS <b>18</b>

Availability includes vacant space, occupied space being marketed, and speculative space under construction.  
\*Some listings are counted in multiple size ranges if they can be demised

## ANNUAL INDUSTRIAL MARKET INDICATORS



# FEATURE PROPERTIES

## NOTABLE TEAM LISTINGS



**LAND  
FOR SALE**

Energy Business Park  
Gasoline Alley, Red Deer  
1 acre to 33.36 acres



**FOR LEASE**

Barlow Centre, Calgary  
4,100 sq.ft. - 34,045 sq.ft.

## NOTABLE TEAM TRANSACTIONS



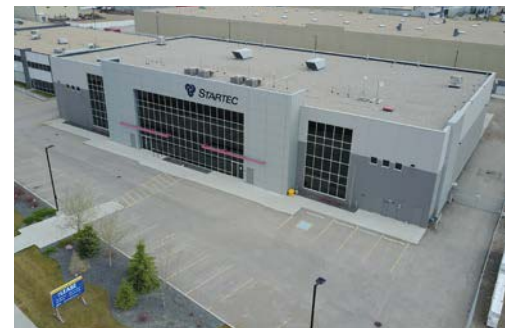
**LEASED**

3838E - 80th Avenue SE  
153,449 sq.ft.



**SOLD**

4515 - 112th Avenue SE  
25,568 sq.ft. on 2.54 acres



**LEASED to 2 tenants**

4855 - 102nd Avenue SE  
26,916 sq.ft. total

The **BSRE Industrial Team** would like to thank the following clients for their business in the last quarter:

Wheels International Inc.  
Sunik Construction  
Investors Group Trust Co. Ltd.  
Valcon Holdings  
JJ Holdings Inc.  
Unified Valve Group Ltd.

Delco Automation  
Waste N' Watertech  
Cal-Tech Electrical Ltd.  
Unified Alloys (Calgary) Ltd.  
Alberta Assets (2006) Inc.  
CRS Cranesystems Inc.

The Deck Store Ltd.  
Image Line Painting Ltd.  
Artis McCall  
SPIRE Barlow Centre Inc.  
Advanced Upstream  
Nicola Crosby Real Estate Asset Mangement

**SOLD**

316,369 sf on 40.02 acres

**LEASE RENEWAL**

44,100 sf

**LEASE**

101,200 sf

**SOLD**

403,232 sf on 20 acres

**LEASED**

22,849 sf on 6.65 acres

**LEASED**

29,500 sf on 3.12 acres

**SOLD**

159,461 sf on 36.88 acres

**SOLD**

50,000 sf on 5.01 acres

**DESIGN BUILD**

96,905 sf on 7.69 acres

**SOLD**

20 acres

**SOLD**

60,265 sf on 22.75 acres

**SOLD**

**DESIGN BUILD**

5.08 acres

**SOLD**

38,940 sf on 3.69 acres

**SOLD**

# LOCAL EXPERTISE MATTERS

## INDUSTRIAL REAL ESTATE SOLUTIONS

**LEASING**

**SALES**

**LAND**

**DESIGN BUILD**

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