Calgary's Third Quarter Industrial Landscape

Industrial Market Update | Greater Calgary & Area • Q3 2023

2.3% OVERALL VACANCY RATE

0.56% SUBLEASE VACANCY RATE

3.1% NORTHEAST

2.0% SOUTHEAST

1.9% SOUTH CENTRAL

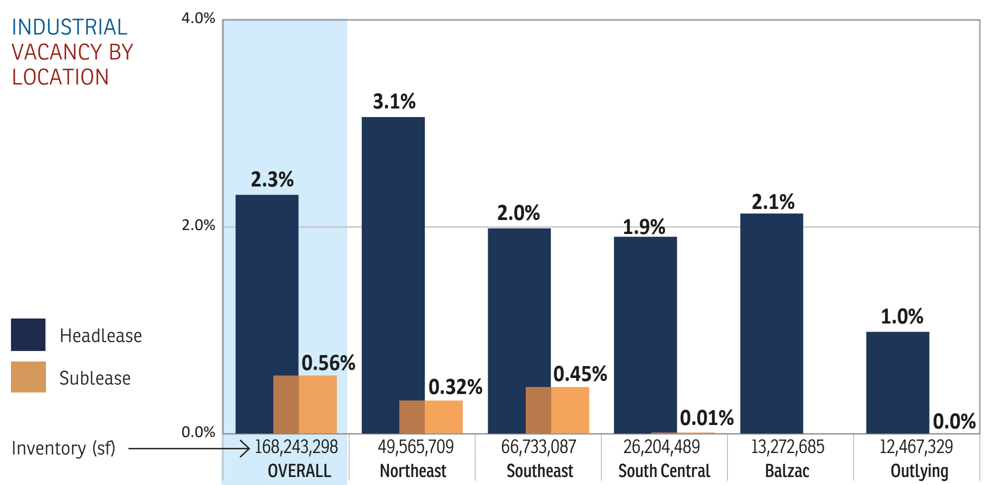
2.1% BALZAC

1.0% OUTLYING

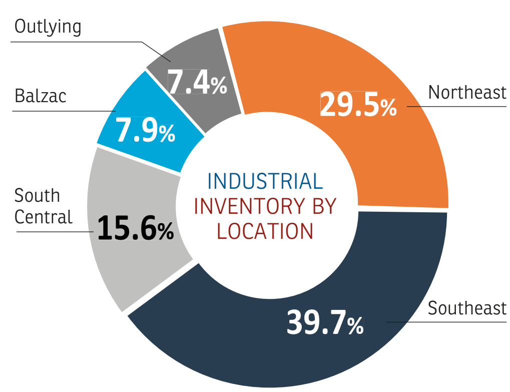
The Greater Calgary & Area (GCA) industrial market continued to be extremely tight in the third quarter of 2023, with the overall vacancy rate moving up ever-so-slightly from mid-year. Driving the uptick was more than 1.5 million square feet of new industrial product being delivered during the quarter. While the vast majority of both newly delivered and soon-to-be-delivered space has largely been spoken for, the remaining portions are slowly but surely offering some breathing room in what has become a very constricting market.

GCA industrial inventory has grown significantly in just the previous few years as several major developments have reached completion. The delivery of several million square feet of new inventory, however, has not been able to keep up with extremely high demand until just recently, which has driven down – and kept – vacancy at historic lows of 2.5% or less.

INDUSTRIAL VACANCY BY LOCATION



We believe early signs are emerging of the GCA industrial market trending toward a balanced market, which is considered to be in the 4% -5% range. In the process, the market remains healthy and well positioned for additional growth which is demonstrated by the remaining construction pipeline - consisting of approximately 7 million square feet - being more than 75% pre-leased. We anticipate that user demand will continue to nearly match the introduction of new industrial space, slowly relaxing vacancy while preventing a sudden glut of product hitting the market.



Some food for thought regarding the current high interest rate environment: We view the nearly nonexistent sublease market as poised to expand as tenants reevaluate and reduce their space needs after years of expansion. This will be a necessity for many, to offset currently slowing discretionary consumer spending and rapid escalation of rents. Companies whose rent renewals are six to twelve months out are facing sticker shock with the looming confluence of higher lease rates due to low supply/ high demand and the needs of Landlords as they service their own higher refinancing costs. ■

SIGNIFICANT MOVES, ANNOUNCEMENT AND NOTABLE TRANSACTIONS:

Cabela's renewed their 417,000 square foot lease in Stoney Industrial Centre 6

Nutrien leased approximately 124,900 square feet in Frontier Distribution (285243 Frontier Road)

Metro Logistics leased approximately 291,000 square feet in Citylink Logistics Centre (60 Carmek Drive SE)

DOT Foods leased approximately 269,000 square feet in Foothills Phase II Bldg D (4639 72nd Avenue SE)

Article.com leased approximately 222,000 square feet in Hub Logistics Centre (292031 Wagon Wheel Blvd.)

Walmart Canada expanded by approximately 159,000 square feet in Great Plains 1 (5801 72nd Avenue SE.)

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