



Q1 2021 Industrial Occupier

Calgary Industrial Market

Market Overview

Industrial Market

Calgary industrial space outperforms other real estate sectors in spite of the pandemic.

Calgary's industrial sector, comprised of 140 million square feet, has remained relatively resilient over the past five years, considering the battering the economy has faced due to declining oil prices and now a global pandemic. One of the major factors contributing to its resiliency is related to its strategic location as a logistics and distribution hub for Western Canada. Major retail players such as Home Depot, Lowe's, and Amazon have all committed to large amounts of distribution space, while logistics firms such as FedEx and Hopewell Logistics have also decided to make Calgary a strategic hub for operations.

Many of these firms have taken advantage of declining rental rates and market prices over the past five years while also taking into consideration falling corporate tax rates, from 12% to 8%. Furthermore, operating costs (TMI) tend to be quite low in Calgary, now averaging \$4.50 per square foot.

Compared to other major markets in Canada, Calgary's industrial rents are considered to be a bargain currently but may not be as competitive moving into 2022. This is primarily related to expected increases in property taxes for industrial properties. With office, retail, and hospitality properties seeing massive declines in value, Calgary's industrial sector will bear much of the tax shift, as large-format warehouses are expected to see double-digit increases in assessment values in 2021, translating to a tax bill jump of up to 25% in some cases. Calgary's industrial market is expected to remain relatively stable throughout 2021, maintaining a vacancy rate below 7%. Once the pandemic is under control, the market is expected to pick up for the balance of 2021 and into 2022, with rental rates and market prices transitioning back to positive growth levels.

SDR Distribution expands in Calgary

SDR Distribution is relocating to Stonegate Industrial Park in NE Calgary, leasing just under 100,000 square feet. The expansion into larger premises is a strategic move in response to the increased need for supply chain and logistics services in Calgary. SDR Distribution is an omni-channel providing whose services including distribution and warehousing of goods.

Cresa Alberta is pleased to have represented SDR Distribution Services in this transaction.



Stonegate Industrial Building
Photo Credit: CoStar Realty Information, Inc.

Calgary Industrial Notable Transactions

Tenant	Building Address	Area	Type
General Mills Canada	6090 - 90 Avenue SE	356,000 sf	Headlease
Conagra Brands Canada	260253 High Plains Blvd.	240,000 sf	Headlease
Metro Logistics	4100 Westwinds Drive NE	162,000 sf	Headlease
Metro Logistics	11550 Barlow Trail NE	160,000 sf	Headlease
XTreme Packaging	5805-5885 - 51 Street SE	146,000 sf	Headlease
Spartan Controls	11550 Barlow Trail NE	140,000 sf	Headlease
Shanahan's Building Products	2731 - 57 Avenue SE	112,000 sf	Headlease
Goodwill Alberta	2705-2737 - 57 Avenue SE	112,000 sf	Headlease
ID Foods Corporation	4920-5280 - 72 Avenue SE	111,000 sf	Headlease
William F. White International	6740 - 76 Avenue SE	109,000 sf	Sublease
Sleep Country Canada	11 Dufferin Place SE	103,000 sf	Headlease
EasyTrim Reveals	4441 - 76 Avenue SE	102,000 sf	Headlease
SDR Distribution	11550 Barlow Trail NE	99,000 sf	Headlease
Southwire Canada	5543 - 72 Avenue SE	67,000 sf	Sublease
Hunter Logistics Ltd.	2308-2360 Portland Street SE	65,000 sf	Headlease
North County Tire Distributors	2500-2590 - 64 Avenue SE	60,000 sf	Headlease

Leasing

The Calgary industrial market continues to perform relatively well compared to its office sector; however, still has had to overcome weakened demand created by the pandemic. With a recent increase in activity net absorption over the past 12 months has reached 3.0 million square feet, above its three-year average of 2.4 million square feet per annum. Although developers have consistently delivered new industrial space each year, Calgary's industrial sector has not seen drastic shifts in its vacancy rate. In fact, over the past five years, vacancy has ranged between 5.4% and 8.0%, with a current rate of 6.9%. And though industrial properties in Calgary tend to be on the market for longer period than the national average, (ten months versus eight months) the vacancy never rose above 8%. As Calgary is playing a greater role as a centre for distribution and logistics, the pandemic has not stopped major players from securing space. In particular, home improvement giant Lowe's has announced its new

distribution centre as part of its strategy to optimize its distribution network to better meet the needs and expectations of its in-store and online customers and thus has confirmed 1.2 million square feet will be leased by September 2021. Due to the pandemic, online sales have been increasing, so the new distribution facility will allow Lowe's to better serve its customers in Western Canada. Additionally, Amazon confirmed in June 2020 that over 300,000 square feet of distribution space will be leased at 292083 Crosspointe Road. Amazon moved into the newly built facility within the Crosspointe Industrial Park at the beginning of 2021. Amazon also renewed its 356,200 square foot fulfillment centre lease within the Stoney Industrial Centre in June 2020. Finally, Canadian Tire closed the year by securing 498,600 SF of distribution space within Hopewell Development's newly built facility in South Calgary in December 2020 and plans to take possession in July 2021.



Industrial Supply

139,620,540 sf



Industrial Vacancy

6.99%



Overall Industrial Vacancy

9,754,998 sf



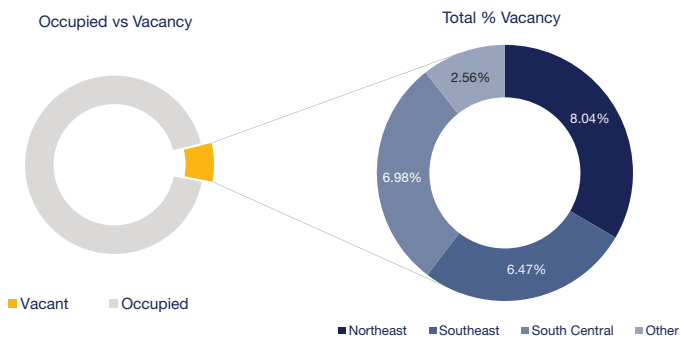
Q1 2021 Industrial Absorption

742,273 sf

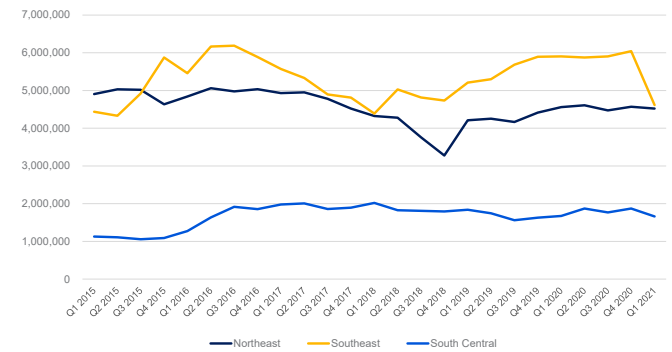
Q1 2021 Vacancy Summary, Industrial

QUADRANT	TOTAL INVENTORY (sf)	HEADLEASE (sf)	HEADLEASE (%)	SUBLEASE (sf)	SUBLEASE (%)	TOTAL (sf)	TOTAL (%)
North West	1,414,435	77,783	5.50%	1,408	0.10%	79,191	5.60%
North East	47,178,359	3,603,116	7.64%	187,906	0.40%	3,791,022	8.04%
South West	2,163,926	12,565	0.58%	0	0.00%	12,565	0.58%
South East	65,041,137	3,970,526	6.10%	239,810	0.37%	4,210,336	6.47%
South Central	23,822,683	1,375,288	5.77%	286,596	1.20%	1,661,884	6.98%
Total Industrial	139,620,540	9,039,278	6.47%	715,720	0.51%	9,754,998	6.99%

Breakdown of Vacancy by Submarket

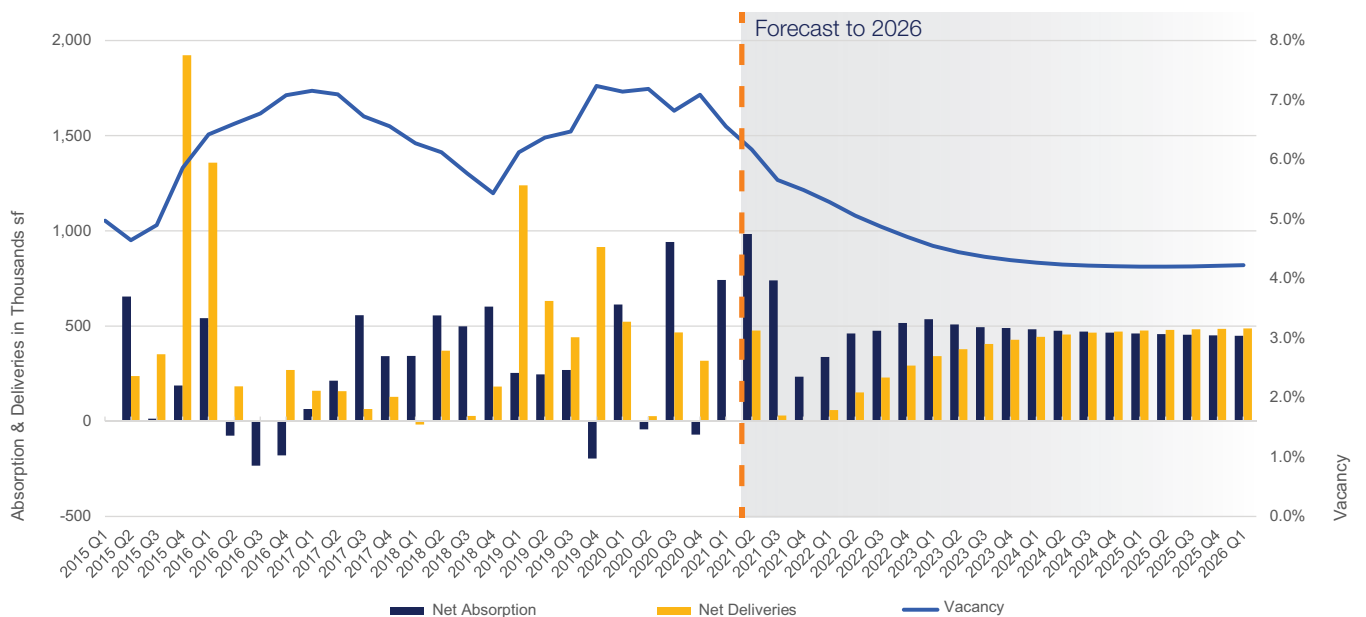


Historical Industrial Vacancy



Historical Absorption and Forecast

Reported Submarkets



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