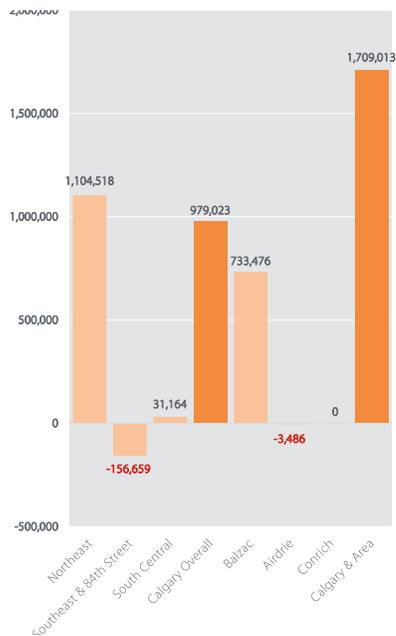


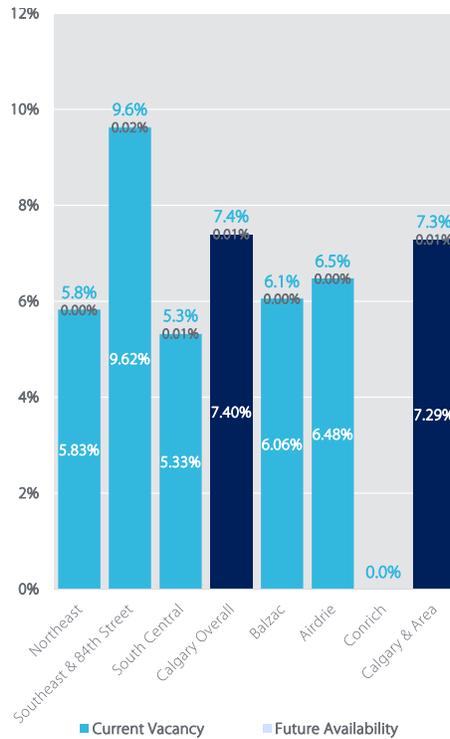
Strong growth returned to the Calgary and area industrial market in third-quarter 2018. The vacancy rate declined to 7.3% compared to 7.7% in the previous quarter. Meanwhile, the overall availability rate has equalized with the vacancy rate and is also 7.3%, down from 8.0% in second-quarter 2018, thanks to a number of occupied, but available, spaces being taken by new tenants. This is strong improvement from one year ago in third-quarter 2017, which saw the overall vacancy rate at 8.5% and the overall availability rate at 9.1%. The vacancy rate for the City of Calgary is 7.4%, while the Balzac vacancy rate is 6.1% and the Airdrie vacancy rate is 6.5%.

Calgary's industrial absorption improved its positive trend with 1.7 million square feet (msf) of absorption for third-quarter 2018, including Amazon's new 600,000 square foot (sf) fulfillment centre in Balzac. This brings year-to-date 2018 to a net positive 3.0 msf of absorption; the highest level of absorption seen since 2014. The current forecast is for continuing positive absorption and falling vacancy rates for the remainder of 2018 and throughout 2019 as the level of activity in Calgary's industrial market is anticipated to remain robust.

Calgary Industrial Absorption by Location



Calgary Industrial Vacancy Rates by Location



Almost 3.1 msf of industrial space is currently under construction in Calgary and area. Balzac accounts for 39% of this space. Speculative development (projects being constructed with no committed tenants in place) now accounts for all new industrial construction currently being developed. A number of developers have renewed their confidence in Calgary and are starting another round of construction across the market, primarily focused on large-bay distribution space.

In the owner-user market, condominium properties continue to increase in popularity and are generally an economic alternative versus freestanding buildings. This is being driven heavily by developers out of British Columbia, such as: Beedie Group, Hungerford Properties, PC Urban Properties, and Upcountry Properties. These companies are having to look farther afield to find suitable and affordable new construction and redevelopment opportunities, making Calgary an attractive location.

Market Facts

7.3%

Vacancy
(Q2 2018: 7.7%)

7.3%

Availability
(Q2 2018: 8.0%)

1,709,000 SF

Absorption
(Q2 2018 - 523,000 SF)

3,097,000 SF

Under Construction
(Q2 2018: 2,754,000 SF)

1,115,000 SF

Completed
(Q2 2018: 623,000 SF)

Calgary Average Industrial Rental Rates by Size



FOCUS ON INVESTMENT

The demand from investors, both locally and nationally, continues to remain strong for industrial investment opportunities in the Calgary market. The positive absorption of large bay space, which in recent years represented a significant portion of the lagging vacancy in the Calgary market, is a signal of confidence; leading several developers to begin building again. Although there have been few broadly marketed industrial investment opportunities, high-quality product with stable tenant rosters are tremendously sought after.

As with all segments of the investment market, the rising interest rate environment is anticipated to place moderate upward pressure on cap rates over the next twelve months. However, it is anticipated that an ongoing advantageous window of liquidity will be available for developers of larger format industrial product, in order to take advantage of a stronger leasing market. Investor demand for industrial product is expected to keep cap rate increases in balance as they pursue full and partial interest acquisition opportunities.

Toronto and Vancouver-based private equity investors will continue to be quite active around

Calgary Q3 2018 Industrial Notable Transactions

Lease

Tenant	Address	Size (sf)	Deal Type
4 Seasons Transportation	85 Freeport Boulevard NE	26,948	Headlease
Intelcom Courier Canada	56 Freeport Crescent NE	25,805	Headlease
Newsco International Energy Services	4855 - 102nd Avenue SE	13,458	Headlease

Sale

Purchaser	Address	Size (sf)	Price
AIMCo	283080 Logistics Drive	416,000	\$46,825,995
Spire Real Estate Limited Partnership	8080 - 36th Street SE	403,232	\$37,900,000
Starlight Investments	1020 - 68th Avenue NE	148,373	\$26,750,000
	640-820 - 28th Street NE	172,536	\$22,000,000
Valard Construction*	10774 - 42nd Street SE	162,724	\$21,400,000

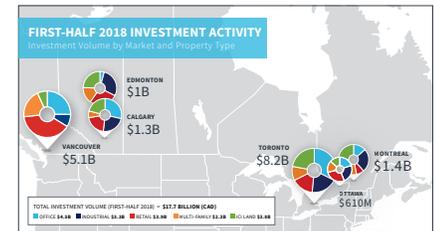
Sales Source: RealNet Canada Inc.

* Indicates transactions where Avison Young was involved

industrial investment trades, along with typical institutional investors and advisors looking to grow or high-grade their portfolios. The positive sentiment towards the Calgary industrial investment market has remained unchanged for the past two years and the ongoing pursuit for opportunities is forecasted to grow stronger in 2019.

Avison Young North America & Europe Commercial Real Estate Investment Review (Fall 2018)

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Calgary Q3 2018 Industrial Construction

Industrial New Supply

Project Name	Address	Municipality	Square Feet	Status	% Pre-Leased/Sold	Project Type	Developer
Airport Crossing 3	10099 - 15th Street NE	Calgary	150,000	Q3 2018	32%	Multi-Tenant - Speculative	Enright Capital
Airport Crossing 4	56 Freeport Crescent NE	Calgary	96,000	Q3 2018	34%	Multi-Tenant - Speculative	Enright Capital
Evolve at District	11127 - 15th Street NE	Calgary	128,300	Q3 2018	32%	Condos	Beedie Group
Great Plains Business Park - Building E	6000 - 72nd Avenue SE	Calgary	120,609	Q3 2018	32%	Multi-Tenant - Speculative	Hopewell Development
Amazon Fulfillment Centre	293069 Colonel Robertson Way	Balzac	600,000	Q4 2018	100%	Design-Build-Lease	QuadReal
93 Gateway Drive NE	93 Gateway Drive NE	Airdrie	19,775	Q3 2018	11%	Condos	Fieldtech

Industrial Under Construction

Project Name	Address	Municipality	Square Feet	Expected Completion	% Pre-Leased/Sold	Project Type	Developer
Grasslands Logistics Centre	5730 - 80th Avenue SE	Calgary	214,112	Q4 2018	0%	Multi-Tenant - Speculative	Morguard
Great Plains Business Park - Building C	7090 - 57th Avenue SE	Calgary	157,067	Q4 2018	0%	Multi-Tenant - Speculative	Hopewell Development
High Plains Building 2	260258 High Plains Boulevard	Balzac	418,346	Q4 2018	0%	Multi-Tenant - Speculative	Bentall Kennedy
Nose Creek Business Park - Building D	293026 Colonel Robertson Way	Balzac	266,515	Q4 2018	0%	Multi-Tenant - Speculative	QuadReal
Ryan Road Business Centre	253120 Ryan Road	Rocky View	46,800	Q4 2018	54%	Condos	18SixtySeven
Saddleridge Business Park A2	8651 - 38th Street NE	Calgary	150,103	Q4 2018	0%	Multi-Tenant - Speculative	Triovest
Saddleridge Business Park A3	8650 - 36th Street NE	Calgary	92,645	Q4 2018	0%	Multi-Tenant - Speculative	Triovest
StoneGate Building B	11500 Barlow Trail NE	Calgary	607,200	Q4 2018	0%	Multi-Tenant - Speculative	ONE Properties
YYC Global Logistics Centre	566 Aero Drive NE	Calgary	121,165	Q4 2018	0%	Multi-Tenant - Speculative	QuadReal
South Calgary Distribution Centre 1	6600 - 72nd Avenue SE	Calgary	498,618	Q2 2019	0%	Multi-Tenant - Speculative	Hopewell Development
Crosspointe Industrial Park 1	292088 Crosspointe Road	Balzac	524,490	Q3 2019	0%	Multi-Tenant - Speculative	Hopewell Development

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