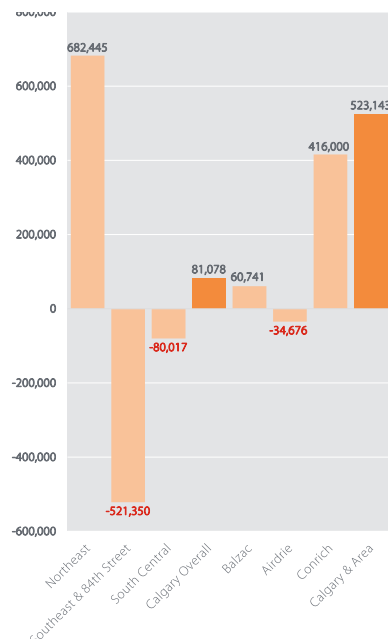


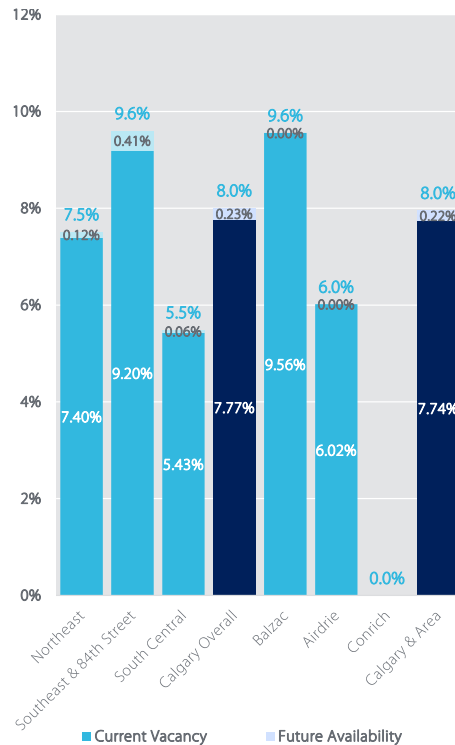
The overall Calgary and area vacancy rate remained steady at 7.7% in second quarter 2018 compared to the previous quarter. Meanwhile, the overall availability rate also held steady at 8.0%. This remains an improvement over one year ago in second-quarter 2017, which saw the overall vacancy rate at 8.7% and the overall availability rate at 9.3%. The vacancy rate for the City of Calgary is 7.8%, while the Balzac vacancy rate is 9.6% and the Airdrie vacancy rate is 6.0%.

Calgary's industrial absorption continued its positive trend with 523,000 square feet (sf) of absorption for second-quarter 2018. This brings the last 12 months to a net positive 2.1 million square feet (msf) of absorption. The upward adjustment in vacancy with no change to availability is a reflection of properties moving from being occupied but on the market to fully vacant, not a net increase in listings on the market. The current forecast is for continuing positive absorption and falling vacancy rates throughout the second half of 2018 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 2.8 msf of industrial space is currently under construction in Calgary and area. Balzac accounts for over 37% of this space, including Amazon's new 600,000-sf fulfillment centre, which is expected to be completed this fall. Speculative development (projects being constructed with no committed tenants in place) accounts for 73% of the industrial space currently being developed. Thanks to the long-term vision and positive outlook on Calgary by a handful of developers, a new supply of industrial space is being delivered into the recovering Calgary market in 2018 and 2019.

In terms of the owner-user market, sales and leasing in the smaller, freestanding segment (under 20,000 sf) remains active, with robust competition for a shrinking supply of both lease and sale options. Availability of small (1-5 acres) owner-user land sites inside Calgary proper continues to be extremely low (with the exception of Point Trotter), adding to the new growth in communities surrounding Calgary.

Market Facts

7.7%

Vacancy
(Q1 2018: 7.8%)

8.0%

Availability
(Q1 2018: 8.0%)

523,000 SF

Absorption
(Q1 2018 - 768,000 SF)

2,754,000 SF

Under Construction
(Q1 2018: 2,505,000 SF)

623,000 SF

Completed
(Q1 2018: 0 SF)

Calgary Average Industrial Rental Rates by Size



Calgary Q2 2018 Industrial Notable Transactions

Lease

Tenant	Address	Size (sf)	Deal Type
New West Equipment Services	7 Balzac Way	87,120	Headlease
HVAC Rentals Alberta	4040 Brandon Street SE	21,798	Headlease
Edmonton Kenworth	7777 - 66th Street SE	13,716	Headlease

Sale

Purchaser	Address	Size (sf)	Price
Slate Asset Management	Cominar - 6 building portfolio	320,090	\$47,460,000
0729156 B.C. Ltd.	291227-291231 Westland Drive, Balzac	64,229	\$12,500,000
Anthem Properties	4155 - 75th Avenue SE	83,044	\$8,180,333
Delta West Inc.	3223 - 10th Street SE	63,894	\$6,900,000
Anthem Properties	637 - 46th Avenue NE	37,459	\$6,709,666

Sales Source: RealNet Canada Inc.

Calgary Q2 2018 Industrial Construction

Industrial New Supply

Project Name	Address	Municipality	Square Feet	Status	% Pre-Leased/Sold	Project Type	Developer
Harris Rebar Plant	332 Carmek Place	Rocky View	114,000	Complete	100%	Design-Build-Lease	Emcor
Ironside Business Centre	5423 61 Avenue SE	Calgary	93,296	Complete	0%	Condos	Beedie Group
Whirlpool	283080 Logistics Drive	Conrich	416,000	Complete	100%	Design-Build-Lease	CN Rail

Industrial Under Construction

Project Name	Address	Municipality	Square Feet	Expected Completion	% Pre-Leased/Sold	Project Type	Developer
Airport Crossing 3	10099 - 15th Street NE	Calgary	150,000	Q3 2018	0%	Multi-Tenant - Speculative	Enright Capital
Airport Crossing 4	56 Freeport Crescent NE	Calgary	96,000	Q3 2018	0%	Multi-Tenant - Speculative	Enright Capital
Evolve at District	11127 - 15th Street NE	Calgary	128,300	Q3 2018	20%	Condos	Beedie Group
Great Plains Business Park - Building C	7090 - 57th Avenue SE	Calgary	157,067	Q3 2018	0%	Multi-Tenant - Speculative	Hopewell Development
Great Plains Business Park - Building E	6000 - 72nd Avenue SE	Calgary	120,609	Q3 2018	0%	Multi-Tenant - Speculative	Hopewell Development
High Plains Building 2	260258 High Plains Boulevard	Balzac	418,346	Q3 2018	0%	Multi-Tenant - Speculative	Bentall Kennedy
93 Gateway Drive NE	93 Gateway Drive NE	Airdrie	19,775	Q3 2018	11%	Condos	Fieldtech
Grasslands Logistics Centre	5730 - 80th Avenue SE	Calgary	214,112	Q4 2018	0%	Multi-Tenant - Speculative	Morguard
StoneGate Building B	11500 Barlow Trail NE	Calgary	607,200	Q4 2018	0%	Multi-Tenant - Speculative	ONE Properties
Amazon Fulfillment Centre	293064 Colonel Robertson Way	Balzac	600,000	Q4 2018	100%	Design-Build-Lease	QuadReal
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

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FOCUS ON INVESTMENT

Q2 2018 was an active one for industrial investment and development deals in Calgary. A number of large development sites were either put under contract or closed on at pricing that reflects the tremendous demand for this product today in Calgary.

Institutional investors continue to bring their assets to market while focusing on developing assets to grow their core portfolios. There is a near insatiable demand for the assets they are selling because they represent some of the best quality product the market has to offer.

Vancouver and Toronto based groups have dominated the purchasing pool as they continue to chase yields in Alberta that are simply non-existent in their home markets. We see this trend continuing and bidder competition for well tenanted, especially mid-to-large bay product, ratcheting up.