

Q1 2021

Calgary

Industrial Market Report

Net Absorption

This Quarter	Previous Quarter
1.43M SF	782K SF

12-Month Absorption
2.86M SF

Vacancy

This Quarter	Quarter-over-Quarter
5.35%	↓ 82 bps

Year-over-Year
↓ 72 bps

Availability

This Quarter	Quarter-over-Quarter
10.36%	↓ 21 bps

Year-over-Year
↓ 32 bps

Development

Under Construction	New Supply
2.1M SF	102K SF

CMN Calgary Inc.

Market Outlook

The Calgary industrial market continued to see an influx of activity as we transitioned from a resilient final quarter of 2020 into one that saw some of the strongest leasing and sales that has been experienced in recent years. The driving force behind this momentum has been pent-up demand in the distribution/logistics sector, and a shift in supply chain networks, as many large-scale companies are now more focused on utilizing 3PL's to handle their storage and distribution. As part of this shift, Metro Logistics completed two notable lease transactions in the first quarter for a combined ±321,272 square feet. Although there has been a heavy focus on these types of users, the Calgary industrial market is home to a diversified tenant mix. One of the most notable trends that has been evident is the emergence of the film industry and the significant focus on Calgary and the surrounding area as a film and television production hub. Groups including William F. White, SIM International, Amazon Prime, and Disney have all leased a significant portion of industrial space over the first quarter, which drastically contributed to the decrease in vacancy.

As a result of a diverse mix of occupiers taking on space, absorption this quarter almost equaled to the total amount of absorption that was experienced in 2020. This significant positive absorption, combined with pent-up demand in the large-bay segment, and compression in Canada's other core markets, has driven vacancy down 82 basis points to 5.35% from 6.17%. This is the largest quarter-over-quarter decrease that we have seen since the second quarter of 2014. Although there is just over ±2.1 million square feet of new product under construction, majority of this product is purpose built, with only ±820,634 square feet of speculative product under construction. The most notable project to reach completion this quarter was Building B in Beedie's Apex at

Eastlake condo development, which caters to small and medium-bay owner/occupiers.

The lack of new supply and speculative development currently under construction within the city limits, alongside the shortage of development ready land opportunities, will force users to continue to look for space in Balzac or the 84th Street corridor. Leasing in the Balzac market has substantially contributed to the market activity that was experienced throughout the entirety of 2020, and we anticipate that this trend will persist as space continues to transact within the city limits. The market has experienced a spike in land sales, as many developers push to break ground on new projects, taking advantage of the current market conditions, despite the increase in construction costs and building materials.

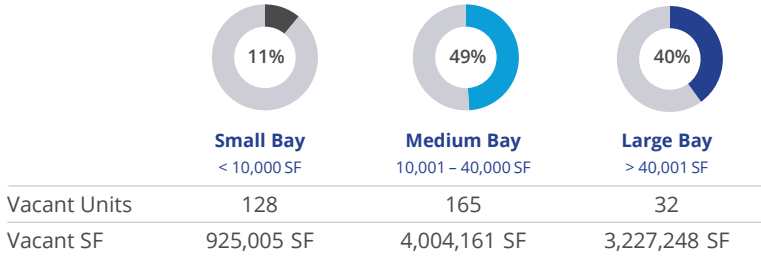
Although industrial investment activity among institutional quality product has been muted this quarter, there has been a flurry of interest for well-tenanted, small-to-medium bay product. The preference has been for assets with strong covenants (ideally single tenant) and 4+ year weighted average lease terms to get through a recovery period. We anticipate more turnover in institutional grade market looking out to Q2/Q3 of 2021.

Our outlook for the remainder of 2021 continues to stay positive as many active groups in the market are focusing in on different opportunities and are expected to transact over the next few quarters. This momentum, coupled with minimal new supply will continue to put downward pressure on vacancy rates. We are confident that it will result in strong positive absorption numbers, which should help encourage another speculative development cycle to commence in the greater Calgary market.

Accelerating success.

Market Overview

01 Vacancy Breakdown by Bay Size Total Square Feet (SF)

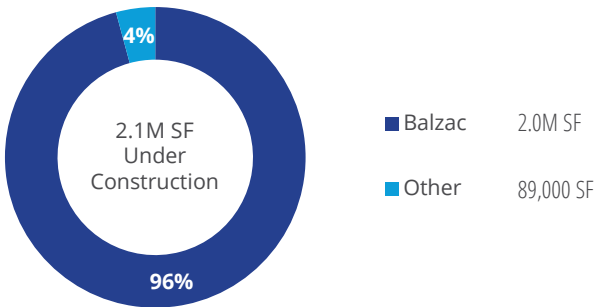


There are currently over 700 listings in the Calgary industrial market, of which 325 are currently vacant.

02 Vacancy Rate by Market Q1 2020 - Q1 2021

Northeast	5.84%	↓	from 6.20% Q1'20
Southeast	5.26%	↓	from 6.04% Q1'20
Central	4.05%	↓	from 4.47% Q1'20
Balzac	6.92%	↓	from 12.65% Q1'20
Other	6.82%	↑	from 6.01% Q1'20
Calgary Total	5.35%	↓	from 6.07% Q1'20

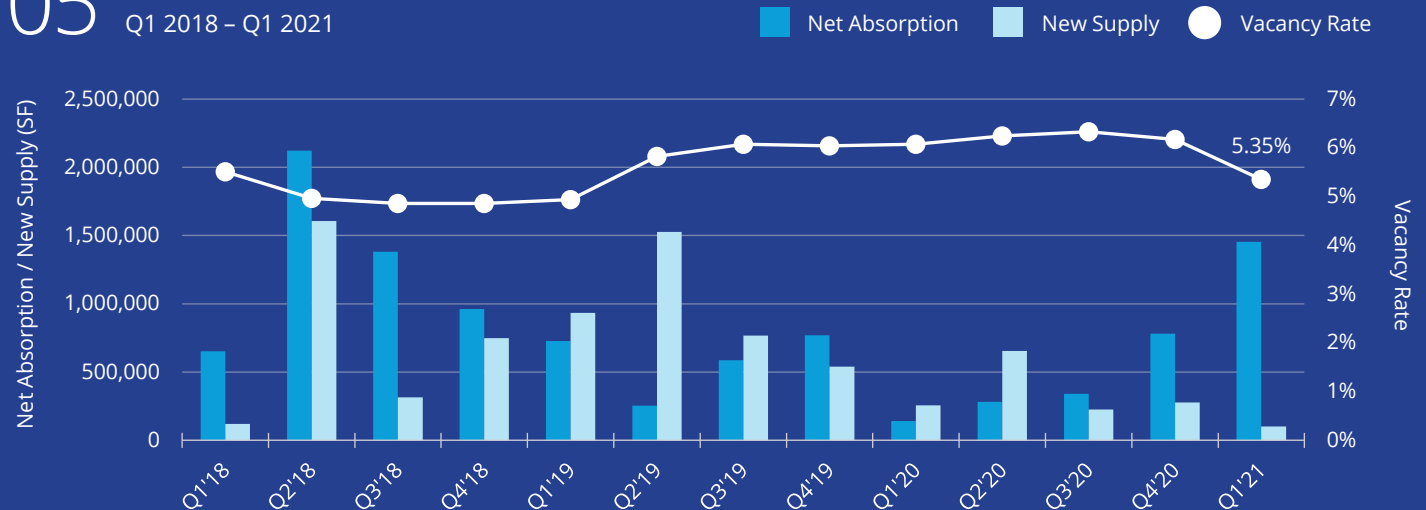
03 Under Construction by Market Total Square Feet (SF)



04 Availability Rate by Market Q1 2020 - Q1 2021

Northeast	10.48%	↓	from 10.50% Q1'20
Southeast	10.14%	↓	from 11.16% Q1'20
Central	7.15%	↑	from 6.97% Q1'20
Balzac	18.58%	↓	from 20.24% Q1'20
Other	10.58%	↑	from 9.90% Q1'20
Calgary Total	10.36%	↓	from 10.68% Q1'20

05 Historical Overview Q1 2018 - Q1 2021



Market Statistics & Transaction Highlights

Market	Total Inventory (SF)	Total Vacant Space (SF)	Vacancy Rate	Direct Available Space (SF)	Sublease Available Space (SF)	Total Available Space (SF)	Availability Rate	Net Absorption (SF)	New Supply (SF)	Under Construction (SF)
Northeast	45,296,426	2,644,065	5.84%	4,286,136	459,468	4,745,604	10.48%	345,650	-	-
Southeast	62,164,223	3,267,721	5.26%	5,642,862	659,404	6,302,266	10.14%	829,611	102,440	-
Central	29,699,085	1,225,066	4.05%	1,845,375	278,715	2,124,090	7.15%	23,484	-	-
Balzac	7,551,624	522,468	6.92%	1,802,102	-	1,802,102	18.58%	309,626	-	2,024,634
Other	7,629,889	520,577	6.82%	610,882	196,360	807,242	10.58%	-54,516	-	89,000
Calgary Total	152,341,265	8,156,413	5.35%	14,187,357	1,593,947	15,781,304	10.36%	1,453,855	102,440	2,113,634

Notable Lease Transactions

Tenant	Building Name / Address	Market	Lease Type	Size (SF)
Hopewell Logistics	High Plains Building 3	Balzac	Head Lease	240,800
Metro Logistics	4100 Westwinds Drive NE	Westwinds	Head Lease	162,250
Metro Logistics	11550 Barlow Trail NE	Stoney	Head Lease	159,022

Notable Sales Transactions

Building Name / Address	Market	Size (SF)	Sale Price	Purchaser	Purchaser Profile
4640 - 72 nd Avenue SE	Foothills	226,600	\$24,000,000	Groupe Touchette	User
1616 Meridian Road NE	Meridian Franklin	83,386	\$7,000,000	Geo Pressure Systems Inc.	User
72 Technology Way SE	Shepard Business Park	50,108	\$9,400,000	Nor Land 72 Ltd.	User

Notable Developments

Building Name / Address	Class	Market	Building Status	Size (SF)	Est. Completion	Owner / Developer
Apex at Eastlake Building B	AAA	Eastlake	New Supply	91,869	Completed Q1	Beedie Development
High Plains Building 7	AAA	Balzac	Under Construction	409,360	Q3 2021	Highfield Investment Group
High Plains Building 8	AAA	Balzac	Under Construction	185,000	Q4 2021	Highfield Investment Group

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