

Calgary industrial market report

Q2 2022

**AVISON
YOUNG**

Calgary industrial market fundamentals

3.0%

total vacancy rate
down 2% since Q2 2021

3.5%

availability rate
down 2.9% since Q2 2021

0.37%

sublease vacancy rate
down 0.79% since Q2 2021

\$792M

investment sales, year to date
up 32% from the first half of 2021

606,161

square feet absorbed
3.4 million square feet year to date

8.7M

square feet proposed and under construction
2 million square feet delivered year to date

Industrial market trends



Economic challenges mount

- As rising inflation continued to draw concern throughout Q2, the Bank of Canada responded in July with a 100 basis point hike, bringing its overnight rate to 2.5%. While the **industrial market has proven itself robust throughout the pandemic**, the present situation will force stakeholders of all kinds to adjust their strategies to adapt in a high-cost environment.

With higher interest rates, purchasers will need to evaluate the rising cost of capital against the potential yields on assets with sufficient rental rate growth. In addition to higher costs of financing, steep construction and labor costs will be felt by developers, who will subsequently look to boost their returns to compensate. With the average rental rate already seeing an uptick this quarter, this **upward pressure on rents is expected to continue**.

Meanwhile, pressures on the supply side of the market continue, as the development pipeline compensates with an unprecedented number of new projects, an increasing portion of which is being pre-leased.



Calgary's industrial demand remains strong

- Despite the headwinds in the greater economy, Calgary's position as a viable alternative to larger and more congested industrial markets continues to solidify. **The market's relative affordability, even in the face of elevated costs, will still play into its favor.**

The abundance of low-cost land in the region continues to attract prospective buyers, while the region's geographic position as a burgeoning inland port offers logistical assets to compete as a viable destination for importing, storage and distribution.

Sales of improved properties are up 32% from the first half of 2021, while land sales are up 29%. Leasing activity has been strong throughout the first two quarters of the year.

Overall, the market has a total absorption of 3.4 million square feet (msf) in the first six months, and the vacancy rate has dropped to 3% in Q2.

Further **downward pressure on the vacancy rate is anticipated** until the market's supply can provide more balance.

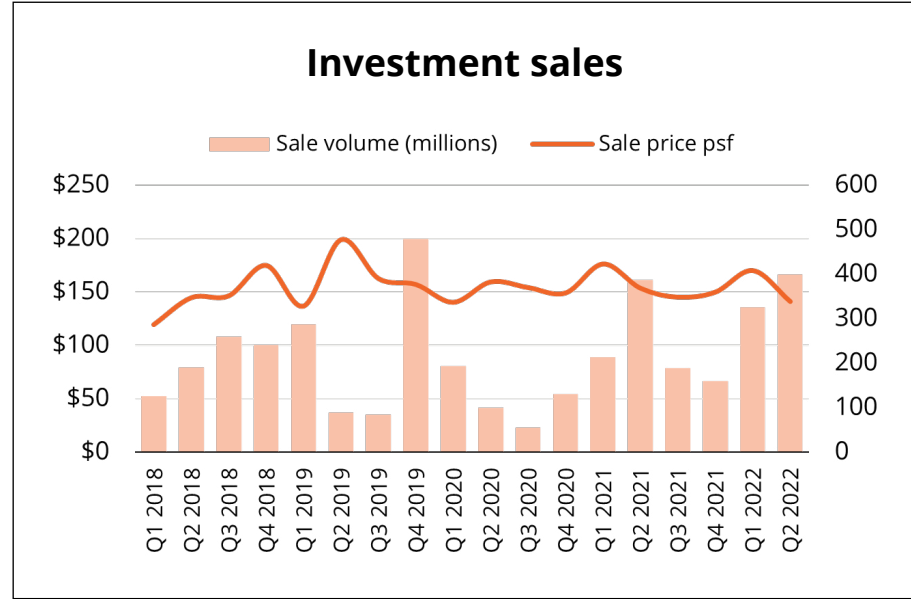
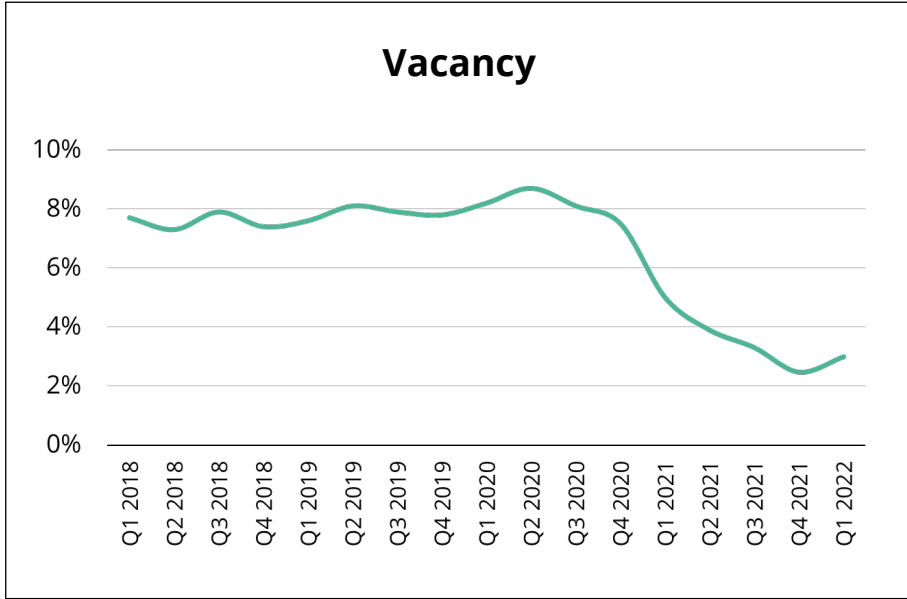
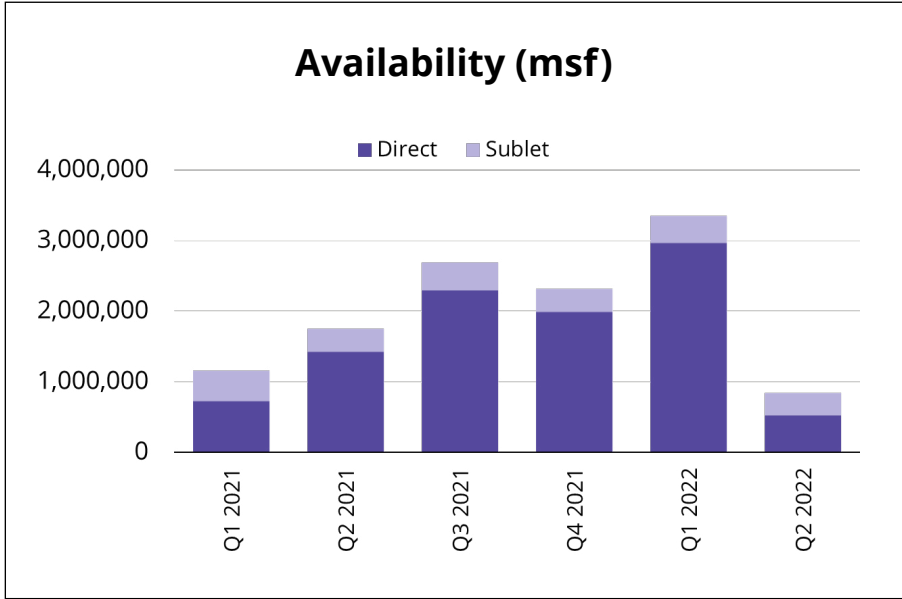
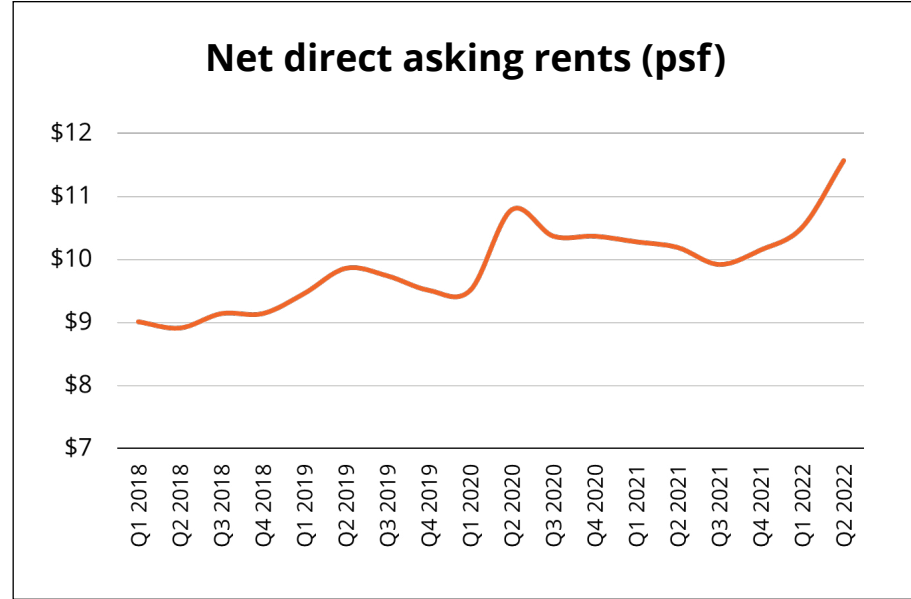
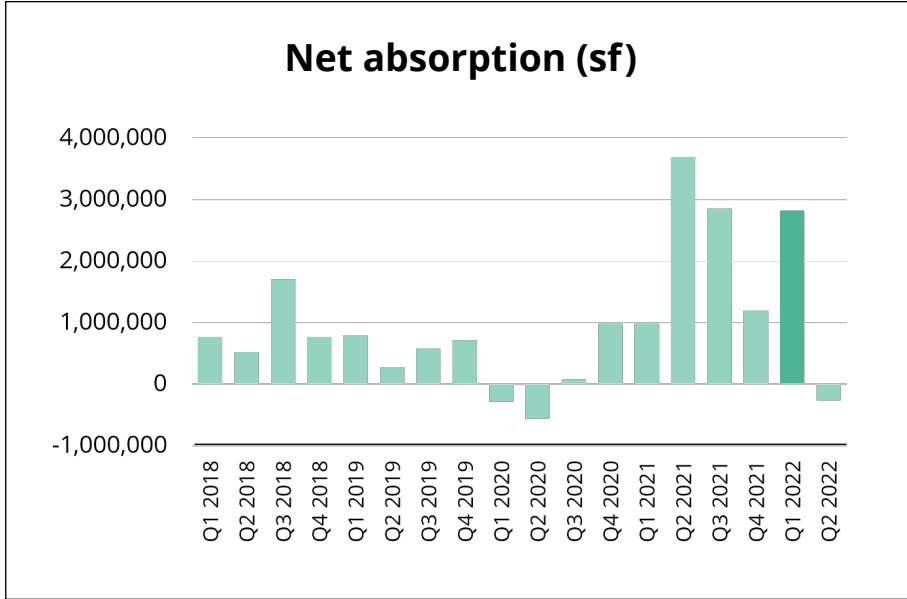
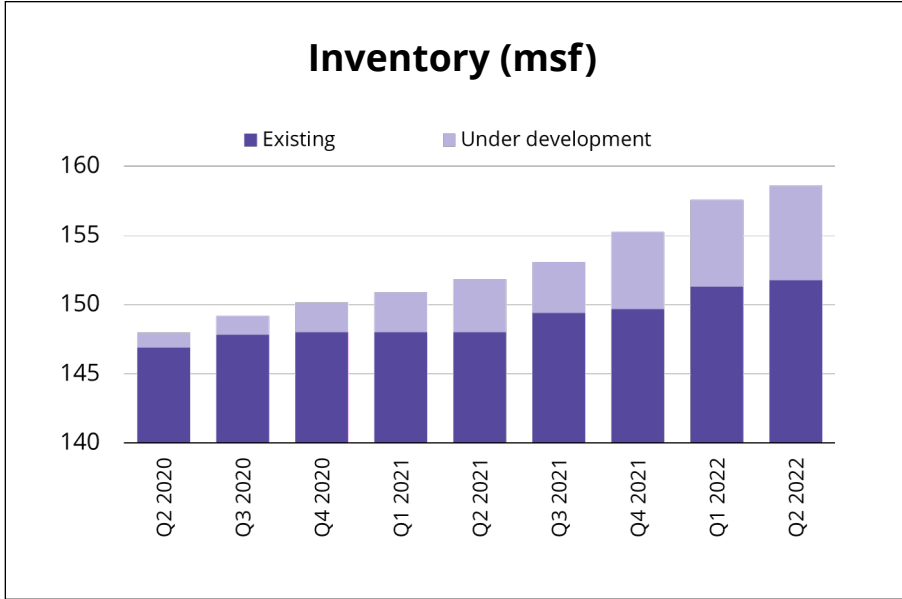


Occupancy timelines stretching

- **The development pipeline is expected to deliver an unprecedented number of new builds.** With 8.7 msf under construction and in the pipeline, the 2022 industrial development frenzy will continue well into 2023.

Given the current demand, an increasing number of construction projects are being launched on a speculative basis. From the leasing market perspective, **negotiations are being conducted over longer timelines**, while occupiers are adapting their own schedules by looking further out in time in order to secure space.

Industrial market indicators



Industrial market activity

Recent leasing activity

Tenant name	Address	Size	Transaction type	Lease type
XTL Distribution	1980 104 th Ave NE	182,875	New	Direct
McIntyre Group	5667 69 th Ave SE	168,964	New	Direct
MTE Logistics	4990 68 th Ave SE	150,654	New	Direct
Well.ca	1845 104 th Ave NE	110,312	New	Direct
TransCanada Turbines	261053 Range Road 292	73,367	New	Direct

Recent sales activity

Buyer	Address	Sale date	Sale price	Sale price psf	Seller
Concert Properties	111 Lowes Road	4/30/2022	\$133,811,083	\$108	Highfield Investment Group
One Properties	Skyline Industrial Park	4/1/2022	\$45,000,000	\$129	Choice Properties
Anthem	3201 Ogden Road SE	6/14/2022	\$35,075,000	\$179	The Mancal Group
Anthem	5442 44 th Street NE	6/14/2022	\$32,775,000	\$191	The Mancal Group
Trivan Capital Corporation	2015 & 2135 32 nd Avenue NE	6/2/2022	\$29,950,000	\$184	Advent Capital 19 GP Ltd.



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and information visit**
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