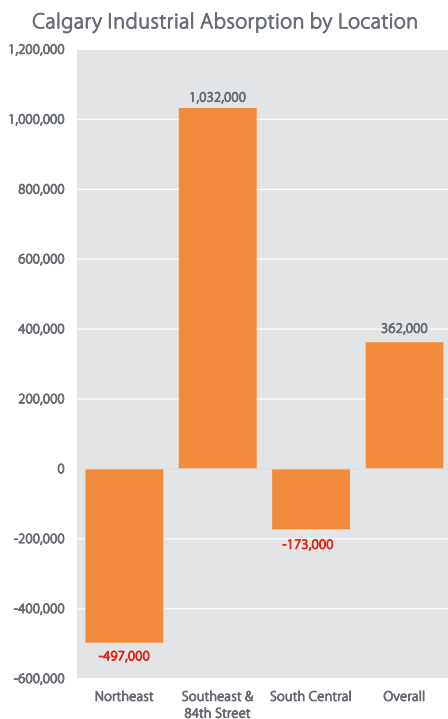


Industrial Market Commentary

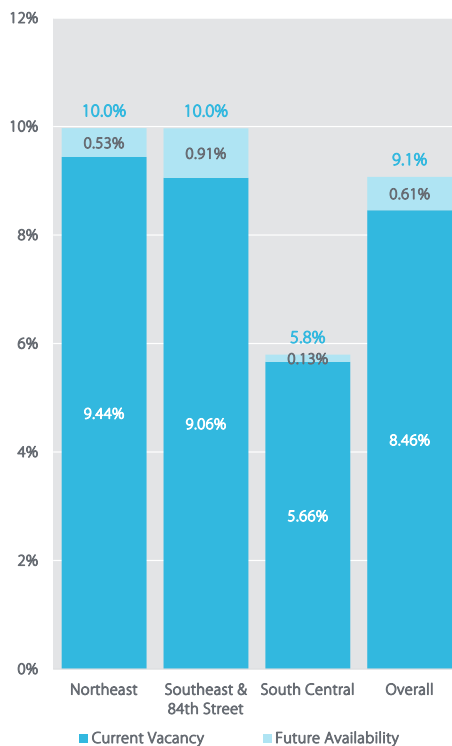
Calgary's industrial market, in third-quarter 2017, is reflective of the overall return to positive economic growth being reported. Thanks to improved leasing activity, positive absorption has been recorded for the second quarter in a row. The overall vacancy rate is now at 8.5% as of the end of third-quarter 2017, with the overall availability rate moving to 9.1%. This shows modest improvement from second-quarter 2017, which saw the overall vacancy rate at 8.7% and the overall availability rate at 9.3%. In comparison to one year ago, vacancy has remained consistent, but availability is up from 8.8%.

CALGARY INDUSTRIAL ABSORPTION BY LOCATION



2017 is seeing a definite positive sign for the market: new construction taking place. There was a small amount of new supply added to inventory in third-quarter 2017 (53,000 square feet (sf)) and there is approximately 1,034,000 sf currently under construction. This construction consists

CALGARY INDUSTRIAL VACANCY RATES BY LOCATION



of a few small-to-mid-sized projects and some large-tenant, speculative projects - including five buildings over 100,000 sf (four of which are speculative projects). One of the reasons some developers are willing to take a risk at this time is concern over skipping the 2017 construction cycle, and missing out on opportunities in 2018. If there is a quick turnaround in the economy or increased demand from large tenants, supply could be limited, and opportunity will flow to those who have taken risk at this time.

Absorption was positive 362,000 sf for third-quarter 2017 and positive 324,000 sf year-to-date. One important note is that the Southeast market was responsible for over 1-msf of positive absorption, whereas the Northeast and South-Central areas remain in negative territory. The current forecast is for vacancy to continue inching downwards throughout the remainder of 2017, and start tightening further in 2018 as business confidence improves. ■

Market Facts

8.5% ▼

Vacancy
(Q2 2017: 8.7%)

9.1% ▼

Availability
(Q2 2017: 9.3%)

362,000 SF ▲

Absorption
(Q2 2017 - 211,000 SF)

1,034,000 SF ▲

Under Construction
(Q2 2017: 618,000 SF)

53,000 SF ▲

Completed
(Q2 2017: 0 SF)

CALGARY INDUSTRIAL RENTAL RANGES

Industrial Average Asking Rents by Size Headlease - High-Low-Average - (\$/SF/Annum)



FOCUS on Investment



2017 year-to-date shows a noticeably greater number of industrial investment listings having been brought to market, in comparison with 2016. These include offerings from several large investors totaling in excess of 1 MSF.

The properties being listed vary widely in characteristics, creating opportunities for a much wider array of purchasers. The sheer volume of sale offerings is a clear sign that major institutional and private owners are confident that ample liquidity exists for industrial assets in the Calgary market at current pricing levels.

The industrial asset class has seen strong demand from investors of all types looking to enter the Calgary market, or expand their existing portfolios. Calgary's relatively higher investment yields (versus Toronto and Vancouver) are attracting strong attention from active purchasers of industrial real estate. It has yet to be seen what impact the recent increase in interest rates will have on capitalization rates and pricing. However, there is no doubt that investors are continuing to actively search for quality assets.

Calgary Q3 2017 Notable Industrial Transactions

Lease

Tenant	Address	Size (sf)	Deal Type
Nissan Canada	6075 - 86th Avenue SE	154,141	Headlease
Modern Sales Co-op	293057 James Jones Way	135,991	Headlease
DOT Foods	201 - 42nd Avenue SE	90,402	Headlease
*FMI Logistics	8077 - 40th Street SE	76,488	Sublease
Boardwalk Properties	7505 - 48th Street SE	69,496	Headlease

Sale

Purchaser	Address	Size (sf)	Price
Richmond Holdings (2015) Ltd.	5505-5543 - 72nd Avenue SE	652,016	\$65,750,000
Brandt Tractor Properties Ltd.	10121 Barlow Trail NE	159,461	\$35,000,000
PC Urban Burbank Holdings Ltd.	5716 Burbank Crescent SE	111,651	\$16,150,000
Hyatt Auto Sales Ltd.	203-285 Manitou Road SE	334,806	\$13,000,000
Copart Canada Inc.	234082 - 84th Street SE	28,600	\$9,157,500

* Indicates transactions Avison Young was involved in

Sales Source: RealNet Canada Inc.

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Calgary Q3 2017 Industrial Construction Summary

Industrial New Supply

Project Name	Address	Square Feet	Status	% Pre-Leased/Sold	Project Type	Developer
SAIT Crane Building	10490 - 72nd Street SE	32,000	Complete	100%	Design-Build-Lease	Centron Group
A1 Granite & Marble	10758 - 74th Street SE	21,000	Complete	100%	Owner-User	Owner

Industrial Under Construction

Project Name	Address	Square Feet	Expected Completion	% Pre-Leased/Sold	Project Type	Developer
Point Trotter Warehouse	10748 - 74th Street SE	28,000	Q4 2017	55%	Condos	Hestia Properties
34 Wrangler Place	34 Wrangler Place	63,000	Q4 2017	90%	Condos	Private Developer
*Ironsides Business Centre	5423 - 61st Avenue SE	93,296	Q4 2017	0%	Condos	Beedie Group
Glacier Village Business Park - Phase 1	7725 - 56th Street SE	23,000	Q4 2017	65%	Condos	SBL Contractors
StoneGate Building C	11322 Barlow Trail NE	61,047	Q4 2017	45%	Multi-Tenant - Speculative	ONE Properties
*332 Carmek Place	332 Carmek Place	114,000	Q1 2018	100%	Design-Build-Lease	Emcor
Airport Crossing 3	10099 - 15th Street NE	150,000	Q2 2018	0%	Multi-Tenant - Speculative	Enright Capital
Airport Crossing 4	56 Freeport Crescent NE	96,000	Q2 2018	0%	Multi-Tenant - Speculative	Enright Capital
Evolve at District	11127 - 15th Street NE	127,963	Q2 2018	20%	Condos	Beedie Group
Great Plains Business Park - Building C	7155 - 64th Street SE	157,067	Q2 2018	0%	Multi-Tenant - Speculative	Hopewell Development
Great Plains Business Park - Building E	6000 - 72nd Avenue SE	120,609	Q2 2018	0%	Multi-Tenant - Speculative	Hopewell Development

* Indicates properties Avison Young is involved with