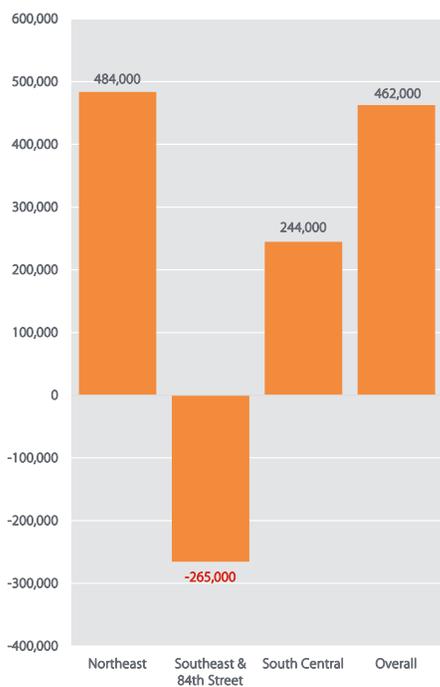


Calgary's industrial market welcomed a return to stability in 2017 – leading to more confidence within the business community which, in turn, is triggering longer-term decision-making for 2018 and beyond.

Strong leasing activity has resulted in positive absorption being recorded for the third quarter in a row. The overall vacancy rate is now at 8.2% as of the end of fourth-quarter 2017, with the overall availability rate moving down to 8.7%. This shows improvement from third-quarter 2017, which saw the overall vacancy rate at 8.5% and the overall availability rate at 9.1%. In comparison to one year ago in fourth-quarter 2016, vacancy has increased marginally from 8.3%, but availability is down from 9.1%.

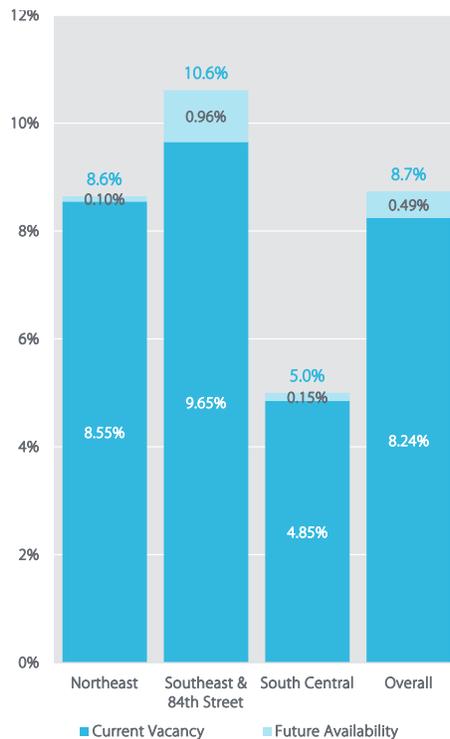
CALGARY INDUSTRIAL ABSORPTION BY LOCATION



Calgary's industrial absorption was positive 462,000 square feet (sf) for fourth-quarter 2017 and positive 786,000 sf for the year. The current forecast is for continued positive absorption and falling vacancy rates throughout 2018 as a sustained level of stability is anticipated.

One of the strongest indicators of increased confidence in the Calgary industrial market for 2017 was the

CALGARY INDUSTRIAL VACANCY RATES BY LOCATION



commencement of multiple new speculative construction projects. Almost 1.5 million square feet (msf) is currently under construction in Calgary proper, 92% of which is being developed on a speculative basis. The amount of industrial space under construction today is a significant increase over what was completed in 2017. There was a small amount of new supply added to inventory in fourth-quarter 2017 (175,000 sf) and there was 378,000 sf added to the industrial inventory for Calgary for the entire year. As vacancy begins to tighten, and if industrial rents begin to rise, stronger yields could convince even more developers previously waiting for a shift in the business cycle to abandon the sidelines and commence construction of new industrial space in the Calgary area.

Rocky View County continues to be a compelling location for major, multi-national retailers due to its large land inventory, advantageous pricing and favorable tax environment. Over 400,000 sf is currently under construction in the new High Plains Industrial Park in Balzac, completely on a speculative basis. Further

Market Facts

8.2%

Vacancy
(Q3 2017: 8.5%)

8.7%

Availability
(Q3 2017: 9.1%)

462,000 SF

Absorption
(Q3 2017 - 362,000 SF)

1,466,000 SF

Under Construction
(Q3 2017: 1,034,000 SF)

175,000 SF

Completed
(Q3 2017: 53,000 SF)

evidence resides with the construction of Amazon's 600,000 sf fulfilment centre in Nose Creek Business Park, and a recent 425,000 sf commitment by Whirlpool in the Conrich area for their relocation from the City of Calgary of their new distribution centre.

CALGARY AVG INDUSTRIAL RENTAL RANGES BY SIZE



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), pushing new growth into communities surrounding the city such as Balzac and Airdrie. ■

FOCUS on Investment

Fourth-quarter 2017 rounded out a strong year for industrial investment in Calgary. Broadly marketed assets received strong attention from prospective purchasers and capitalization rates continued their downward trend.

Interest rates continue to climb and some market participants are waiting to see how this will impact pricing. There is still a tremendous amount of capital earmarked for Calgary industrial assets, which has active market participants aggressively pursuing appropriate investments.

A scarcity of product currently in the market has kept investors primed for opportunities that fit their investment criteria. A competitive bidding environment is being created in the market, which will maintain upward pressure on values and keep due diligence and closing periods short.

Calgary Q4 2017 Notable Industrial Transactions

Lease

Tenant	Address	Size (sf)	Deal Type
*WTS Distribution	8077 - 40th Street SE	76,488	Sublease
Last Spike Brewery	5840 - 76th Avenue SE	68,755	Headlease
Landtran Logistics	7095 - 64th Street SE	60,035	Headlease
*Onstream Pipeline Inspection Services	7333 - 68th Street SE	55,822	Headlease
*Oldcastle Buildingenvelope	7703 - 30th Street SE	31,415	Headlease

Sale

Purchaser	Address	Size (sf)	Price
DREAM Industrial REIT	7803 - 35th Street SE	179,418	\$17,000,000
Mountain Properties Inc.	41 Royal Vista Drive NW	36,915	\$7,600,000
2903 Holdings Ltd.	2903 - 61st Avenue SE	19,478	\$3,540,000
Kool Enterprises Inc.	7072 - 112nd Avenue SE	21,882	\$3,350,000
L & K Tire Inc.	5312 - 114th Avenue SE	12,160	\$2,121,011

* Indicates transactions Avison Young was involved in

Sales Source: RealNet Canada Inc.

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Calgary Q4 2017 Industrial Construction Summary

Industrial New Supply

Project Name	Address	Square Feet	Status	% Pre-Leased/Sold	Project Type	Developer
Point Trotter Warehouse	10748 - 74th Street SE	28,000	Complete	55%	Condos	Hestia Properties
34 Wrangler Place	34 Wrangler Place	63,000	Complete	100%	Condos	Private Developer
Glacier Village Business Park - Phase 1	7725 - 56th Street SE	23,000	Complete	91%	Condos	SBL Contractors
StoneGate Building C	11322 Barlow Trail NE	61,047	Complete	45%	Multi-Tenant - Speculative	ONE Properties

Industrial Under Construction

Project Name	Address	Square Feet	Expected Completion	% Pre-Leased/Sold	Project Type	Developer
*332 Carmek Place	332 Carmek Place	114,000	Q1 2018	100%	Design-Build-Lease	Emcor
*Ironside Business Centre	5423 - 61st Avenue SE	93,296	Q1 2018	0%	Condos	Beedie Group
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	128,300	Q2 2018	44%	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
StoneGate Building B	11500 Barlow Trail NE	607,200	Q4 2018	0%	Multi-Tenant - Speculative	ONE Properties

* Indicates properties Avison Young is involved with