

CALGARY INDUSTRIAL REAL ESTATE

MARKET OVERVIEW Q1 2019

Q1 VACANCY

5.50% \longleftrightarrow **+0.02%**
OVERALL Q1 VACANCY RATE FROM Q4 2018

There was strong leasing activity throughout Q1 of 2019 compared to sale transactions. Of the 195 marketed transactions recorded in Q1, 140 were lease transactions and 55 were sale transactions. Of those 55, six were investment sales. The lease transactions equate to approximately 72% of total transactions completed this quarter compared to 28% which were sale transactions.

33 sale transactions completed with square footages under 10,000 sq. ft., 12 transactions between 10,001 – 50,000 sq.ft. and 10 transactions with square footages above 50,001 sq.ft. Similar to lease transactions completed this quarter, sales under 10,000 sq.ft. were more prevalent as properties in this size range were in higher demand by purchasers than properties above 10,000 sq.ft.

Q1 ABSORPTION

+735,863 SQUARE FEET

The industrial vacancy rate for the first quarter of 2019 has shown a minimal increase to 5.50%, up 0.02% from Q4 2018, which was 5.48%. New inventory delivered in Q1 nearly matched the rate of absorption, keeping vacancy stable. Calgary and its surrounding areas have seen balanced vacancy rates that have been stable for the past three quarters.

There were 82 lease transactions completed with square footages under 10,000 sq.ft., 42 transactions between 10,001 – 50,000 sq. ft. and 16 transactions with square footages above 50,000 sq.ft. This demonstrates higher demand for properties under 10,000 sq.ft., which parallels the economic conditions in Alberta with increased diversification of new businesses entering the market.

Property taxes are expected to climb in 2019 for commercial property owners, which will continue to increase operating costs for industrial owner users and landlords to compensate for the downtown vacancies and the absorption of business taxes.

Absorption dropped to 735,863 sq.ft. from Q4 2018 which was approximately 1,500,000 sq.ft. but is still very strong in comparison to previous years.

The square footages for sale transactions completed in Q1 ranged from a low of 1,585 sq.ft. to a high of 356,300 sq.ft. There were

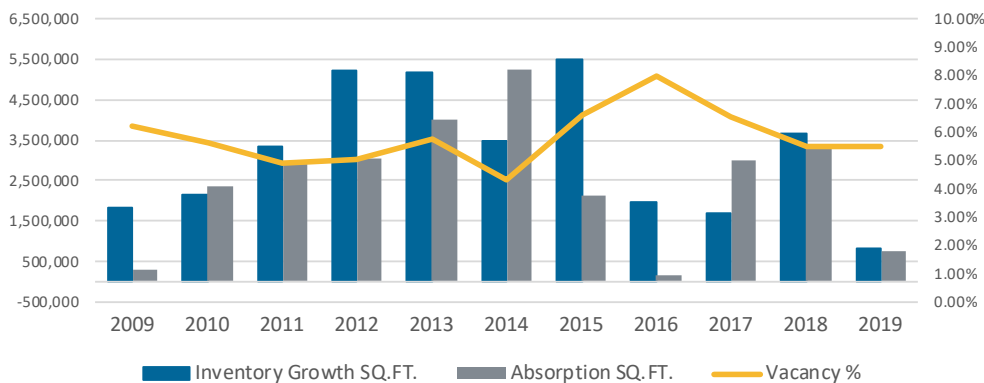
FORECAST

It is expected that vacancy will likely increase in the next quarter as new construction projects are completed.

Operating costs will continue to rise throughout 2019 and are projected to have a less dramatic increase in 2020 as a property tax plan is implemented by the City of Calgary.

There will be a continued demand for growth in the warehousing and distribution sectors, and we will see more land in the surrounding Calgary areas host many of these larger distribution centers, as the cost to operate outside the City continues to be lower than within the City.

Annual Industrial Market Indicators



MARKET STATISTICS

		VACANCY		QUARTERLY ABSORPTION (SF)		UNDER CONSTRUCTION (SF)	
Central District	Q1 2019	4.13%	↑	263,004	↑	86,202	↔
	Q4 2018	3.59%		149,021		86,202	
North East District	Q1 2019	6.65%	↓	639,407	↑	820,330	↑
	Q4 2018	7.08%		174,120		603,371	
South East District	Q1 2019	4.80%	↔	741,958	↓	834,289	↑
	Q4 2018	4.81%		1,096,243		700,911	
Greater Calgary Area	Q1 2019	7.93%	↑	1,722,579	↑	816,205	↓
	Q4 2018	7.47%		124,563		1,339,353	

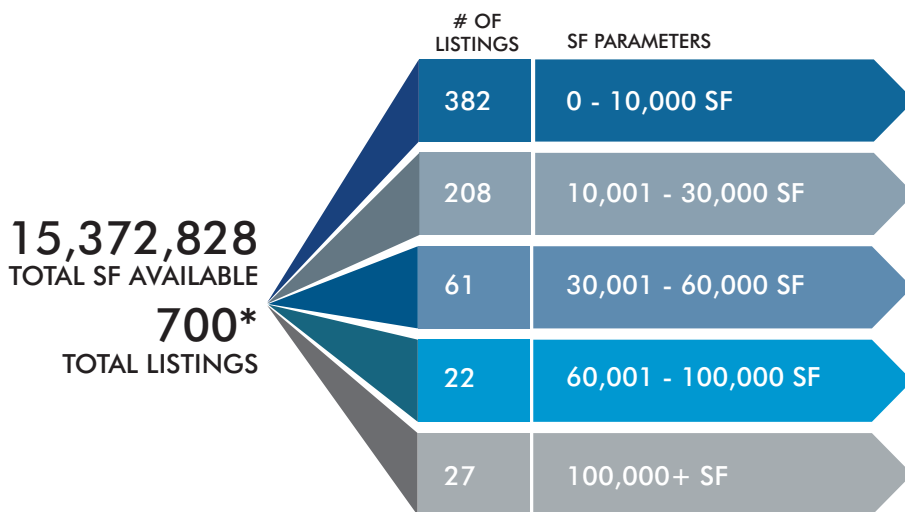
UNDER CONSTRUCTION

Current under construction projects total 2,557,026 sq.ft., of which half will be finished this year. There is 1,769,517 sq.ft. of planned inventory in the pipeline for future development. From last quarter, 645,869 sq.ft. of new construction was completed. There was 512,346 sq.ft. finished in Balzac and 133,523 sq.ft. finished in the City. As new buildings actively under construction are completed and new supply becomes available, it is expected that vacancy rates will increase, albeit by a relatively insignificant amount.

OWNER-USER SALES

Building sales have had continued desirability throughout Q1, as some financial lenders require minimal down payments for owner users, and investor interest remains strong.

Of the sales reported, there have been 13 single use building sales for a total of 966,330 sq.ft. The largest building was 99,957 sq.ft. at a price of \$85.04 per sq.ft. and the smallest was 5,000 sq.ft. at a price of \$200 per sq.ft.



Availability includes vacant space, occupied space being marketed, and speculative space under construction.

**Some listings are counted in multiple size ranges if they can be demised*

INDUSTRIAL CONDOS

There were 24 condo sales, for a total of 89,599 sq.ft. with an average price of \$244.42 per sq.ft. The lowest price was \$142.62 per sq.ft. and the highest price was \$302.54 per sq.ft.

INVESTMENT

This quarter had a total of six investment sales, two of which were investment portfolio sales. The first portfolio sale consisted of four buildings and totaled 885,171 sq. ft. for \$108,967,824. The second sale was three buildings, which consisted of 849,768 sq.ft. for \$79,878,192. The average price for investment sales this quarter was \$119.20 per sq.ft.

LAND

For the first quarter of 2019, land sales were slow, which is typical through the winter months. Within the City there were three industrial land sales for a total of 4.69 acres and the average price was +/- \$1 million per acre. Sales were in the NE and Central markets where land values are highest.

Greater Area industrial sales surpassed activity in the City. There were three out of town land sales, which all occurred in Balzac for a total of 25.14 acres. The biggest difference between land sales within City limits and outside City limits is price, which averaged \$481,848 per acre, demonstrating that there are substantial savings in purchasing land outside the City.

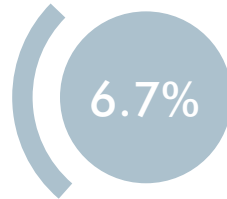
MARKET STATISTICS

The **BSRE Industrial Team** would like to thank the following clients for their business in the last quarter:

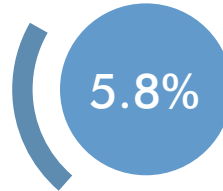
564553 Alberta Ltd.
Alberta Hardwood Flooring Ltd.
Alberta Sales Auto-Quip Sales & Service
Artis REIT
Cal-Tech Electrical
Crafty Cocktails Ltd.
CRS Cranesystems
Delco Automation
First Edition First Aid Training Inc.
Fulton Gate JV Inc.
GWL Realty Advisors
Image Line Painting Ltd.
Investors Group Trust Co. Ltd.
JJ Holdings Inc.
Keter Canada
Microwatt Controls Ltd.
Nicola Crosby Real Estate
Quality Spindles & Railings Ltd.
Safeguard Industries Inc.
Triumph South Airways Acquisition GP
Unified Alloys (Calgary) Ltd.
Unified Valve
Waste N' Watertech



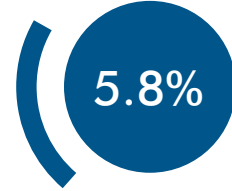
NATIONAL UNEMPLOYMENT RATE



March 2017



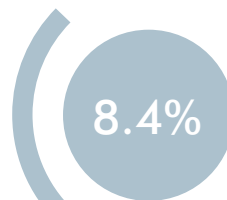
March 2018



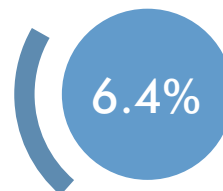
March 2019



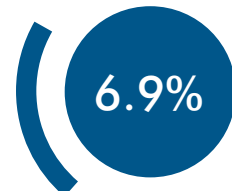
ALBERTA UNEMPLOYMENT RATE



March 2017



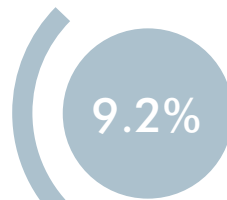
March 2018



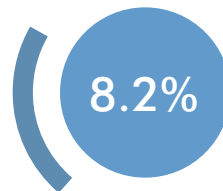
March 2019



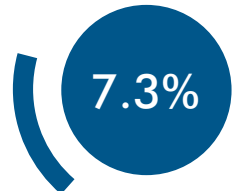
CALGARY UNEMPLOYMENT RATE



March 2017



March 2018



January 2019

*SOURCES: Statistics Canada and Calgary Economic Development

Unemployment has been improving however, Alberta is still challenged in comparison to the rest of the country. A further look at the numbers demonstrates that Calgary has been impacted more significantly than Provincial and Federal economies, although we are trending downwards and have made

large gains for the better in the last three months. The slow down in the housing market will have an impact on the overall economy and hopefully will not cause a shift upwards in unemployment as the summer construction season approaches.

FEATURE PROPERTIES

NOTABLE TEAM LISTINGS



FOR LEASE

5735 - 53rd Street SE
26,640 sq.ft. on 3.55 acres



FOR SALE

7719 - 40th Street SE
18,786 sq.ft. on 3.87 acres

NOTABLE TEAM TRANSACTIONS



LEASED

404 - 42nd Avenue SE
11,711 sq.ft. with 1.95 ac. yard



SOLD

11141 - 15th Street NE
22,648 sq.ft. on 2.0 acres



LEASED

10447 - 50th Street SE
16,850 sq.ft. on 1.58 acres

CONTACT US

JON C. MOOK, SIOR | EXECUTIVE VICE PRESIDENT
c: 403-616-5239
e: jmook@barclaystreet.com

CASEY STUART, SIOR | VICE PRESIDENT
c: 403-828-8669
e: cstuart@barclaystreet.com

KAILE LANDRY | ASSOCIATE
c: 403-669-3050
e: klandry@barclaystreet.com

EMILY GOODMAN | ASSOCIATE
c: 403-862-4348
e: egoodman@barclaystreet.com



WWW.BARCLAYSTREET.COM
Bay 117, 4950 - 106th Avenue SE, Calgary, AB T2C 5E9