

Calgary

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Positive absorption alongside slowdown in deliveries maintains low vacancy levels

Calgary’s industrial market has remained remarkably well-balanced throughout 2024, with fundamentals and trends remaining consistent. Eight consecutive quarters of positive absorption have limited the impact of mostly speculative developments in the Balzac region. Despite adding 4.8 million square feet (msf) of industrial space since last year, vacancy has remained unchanged at 3.2% from Q3 2023. With construction and deliveries at their lowest point in years, any continued positive absorption will lead to an outsized downward impact on vacancy rates in the short term.

Asking rents remain flat across 2024

While asking rents have softened year over year by 7.9% to \$10.64 per square foot (psf), rates within 2024 have remained relatively unchanged. Landlords will be sensitive to further softening in rates to protect their portfolio valuations for eventual refinancing as the latest interest rate cutting cycle continues. Tenants can expect more concessions (including months of free rent, etc.) that will enable landlords to field competitive net effective rents (NER) in a tight market.

Resurgent demand for service & manufacturing

Most of the recent development in Calgary has been state-of-the-art distribution centers—multi-tenant buildings with high clear heights and high dock loading ratios. Stonegate Industrial, Cross Roads Corner and 68th Street Logistics Park exemplify this trend. Due to the abundance of space in these types of buildings, landlords will be more competitive on concessions. Lately, however, there has been an uptick in demand for industrial buildings that tailor more toward service and manufacturing uses—with a greater focus on drive-in doors, lower ceilings and crucially, heavy power. This part of the market remains very tight, and tenants can expect less negotiating power when discussing terms.

Key Statistics

	Q3 2023	Q3 2024	Y-0-Y
Inventory	158.5 msf	163.3 msf	+4.8 msf
Vacancy Rate	3.2%	3.2%	0 bps
Asking Rental Rate	\$11.56	\$10.64	-7.9%
Net Absorption	1.1 msf	1.0 msf	-0.1 msf
Under Construction	6.0 msf	1.0 msf	-5.0 msf
Deliveries	2.4 msf	0.2 msf	-2.2 msf

Outlook

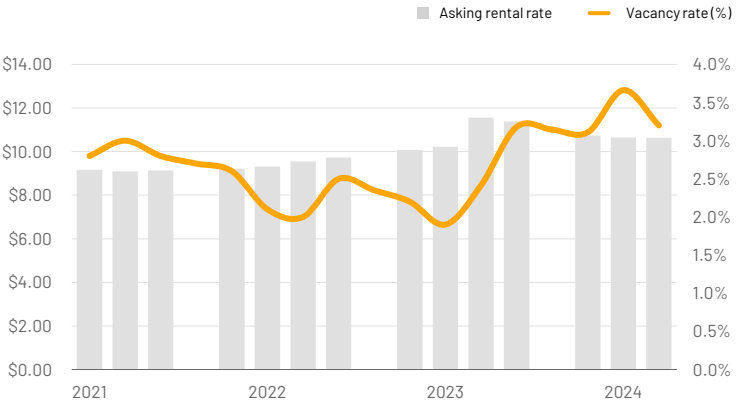
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Lower vacancy, with construction tailing off, will create a more competitive environment for landlords seeking to attract tenants; negotiating concessions will be key from a tenant perspective
- 02

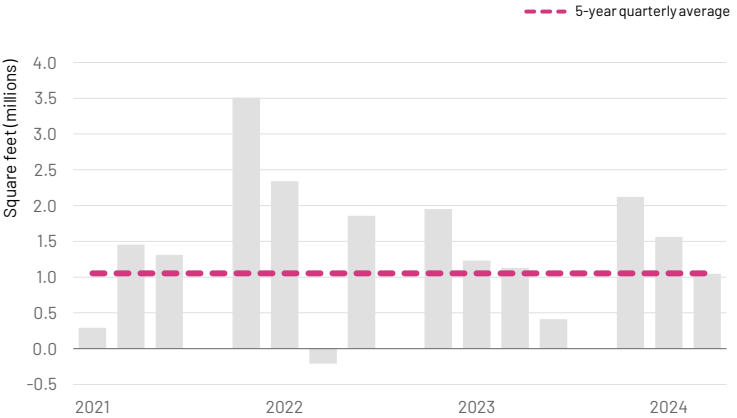
While service and manufacturing buildings have traditionally been build-to-suit, rising demand combined with declining interest rates may incentivize speculative development
- 03

South Calgary Distribution Centre’s 500,000-sf sublease opportunity will have a noticeable impact on market-level statistics when it leases; with up to a 30-bps downward shift in market vacancy possible if fully leased

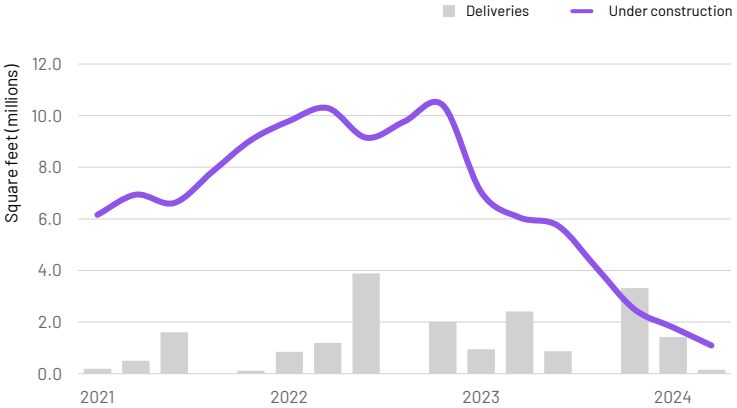
Asking Rent and Vacancy



Net Absorption



Deliveries and Under Construction



Top Leases

Source: Savills Research

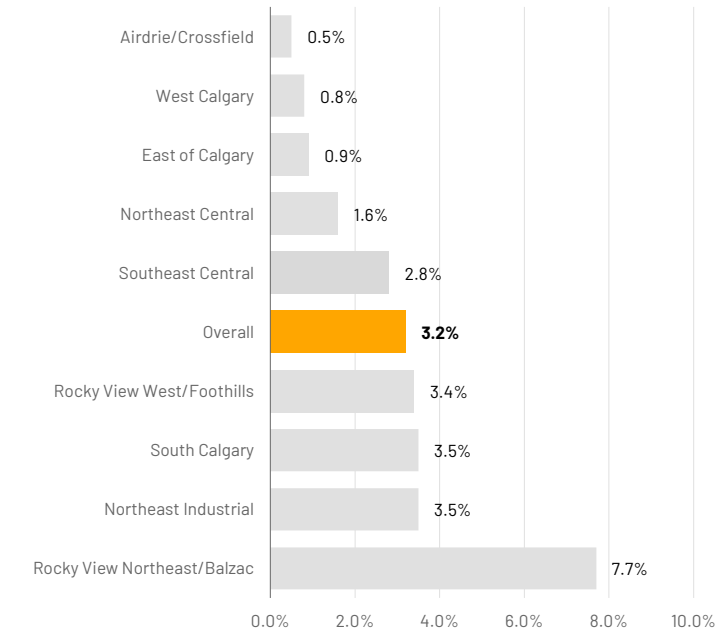
Tenant	Size (sf)	Submarket	Address	Transaction Type	Industry
Plygem	220,000	Southeast Central	4639 72 Avenue SE	New Lease	Construction Materials & Building Fixtures
Undisclosed	86,343	Rocky View Northeast/Balzac	292028 Crosspointe Road	New Lease	Undisclosed
Undisclosed	85,800	Northeast Industrial	1625 100 Avenue NE	New Lease	Undisclosed
Undisclosed	76,968	Southeast Central	4000 106 Avenue SE	Sublease	Undisclosed
Stylish Doors	45,298	Northeast Industrial	10770 25 Street NE	New Lease	Construction Materials & Building Fixtures

Top Sales

Owner/Buyer	Size (sf)	Submarket	Address	Price / \$/sf	Seller
Kay-Son Steel Fabricators Ltd	33,281	Southeast Central	4041 74 Avenue SE	\$6.3 M / \$189	Caruk & Associates Ltd
Calsask Properties Inc	21,937	South Calgary	9015 44 Street	\$6.0 M / \$273	970061 Alberta Ltd
Sunhillow Inc	14,785	Northeast Industrial	3515 29th Street NE	\$3.6 M / \$243	J.K. May Investments Limited
Jomax Development Corp	7,147	Southeast Central	5539 2nd Street SW	\$1.9 M / \$268	Serhan Jomaa
Undisclosed	3,770	Northeast Industrial	1420 40th Ave NE	\$0.7 M / \$204	Undisclosed

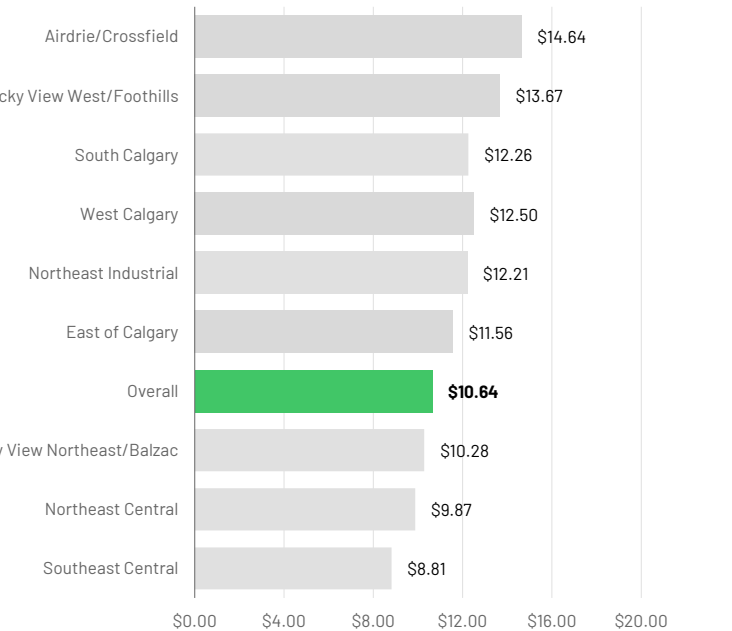
Vacancy Rate Comparison (%)

CALGARY SUBMARKETS



Rental Rate Comparison (\$/sf)*

CALGARY SUBMARKETS



*based on all classes of available inventory

Calgary Q3 2024 - Industrial

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Unless otherwise noted, all rents quoted throughout this report are average asking net (NNN) rents per square foot. Statistics are calculated using both direct and sublease information. Current and historical availability and rent data are subject to change due to changes in inventory.

The information in this report is obtained from sources deemed reliable, but no representation is made as to the accuracy thereof. Unless otherwise noted, source for data is Savills Research.

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