



Calgary industrial market report

Q4 2023

**AVISON
YOUNG**

Calgary industrial market indicators

3.58%

Total vacancy rate
up 0.6% from Q3 2023

5.30%

Availability rate
up 0.86% from Q3 2023

0.57%

Sublease vacancy rate
up 0.11% from Q3 2023

\$612M

Annual industrial property sales
as of November 2023

1.26M

Square feet (sf) of absorption in Q4
3.2M sf year to date

3.98M

sf delivered in Q4
35% of which was pre-leased

What's the scoop?

Vacancy increases as market comes into balance

Strong demand in Calgary's industrial market continued to drive activity through the final quarter of 2023. Much of the new construction anticipated this year was delivered in Q4, amounting to 3.9 million sf of new inventory. These deliveries helped ease the strain on the supply side and move the market more into balance.

Vacancy rates have been on an upward trajectory through 2023, and that continued in Q4 with the vacancy rate increasing to 3.6%. At this point last year, surging demand had vacancy at 2.2%, an all-time low for the market.

Q4 also saw positive absorption, a majority of which took place in pre-leased new construction. Pre-leasing of new builds remains a significant factor in the market with 35% of Q4 new deliveries being preleased. Additionally, approximately 50% of properties under construction have been leased.

Limited availability for small-bay product

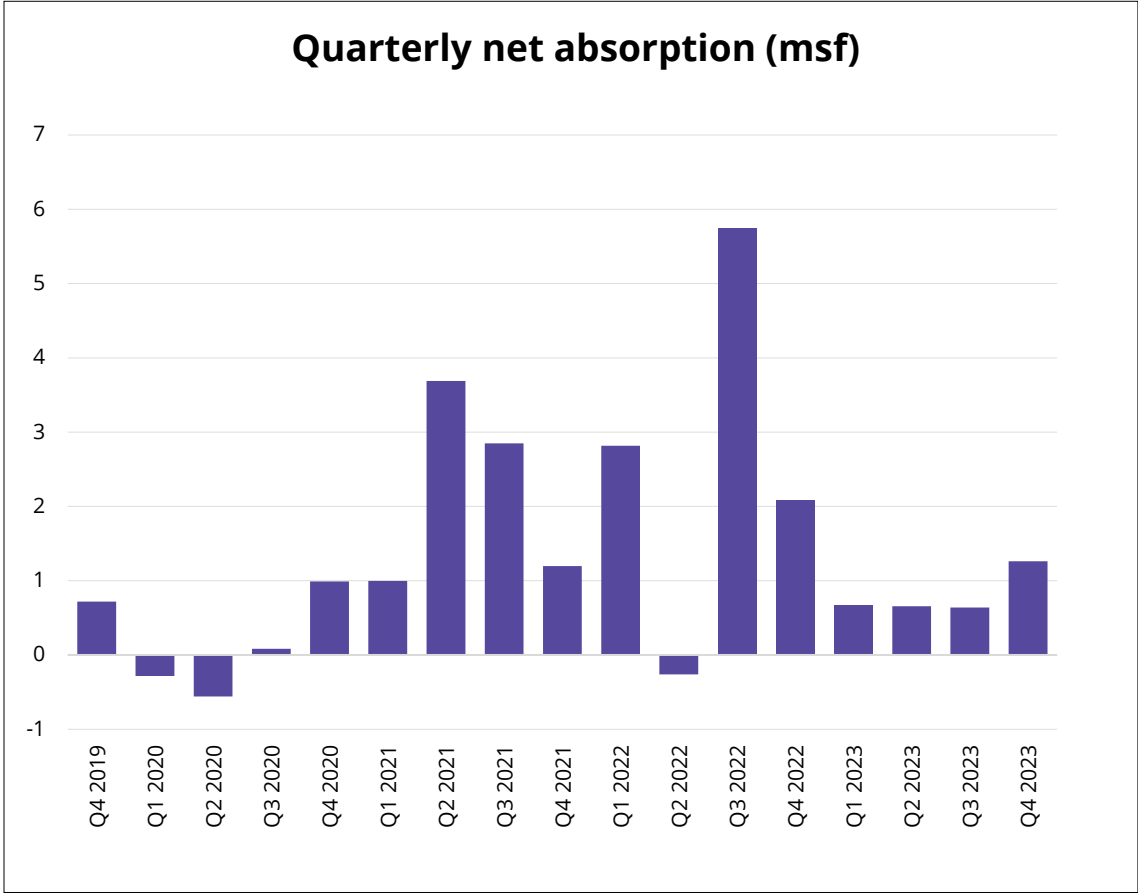
Constricted availability of small-bay product is a continuing theme to monitor. With e-commerce and last-mile logistics driving demand for large distribution centres, developers have mostly been focusing on these types of projects. However, with a record amount of people moving to the province in 2023, small business growth is inevitable, along with demand for small-bay industrial warehouse and workshop space. Pressure on this segment of the market will drive vacancy rates lower and rents higher.

Our point of view

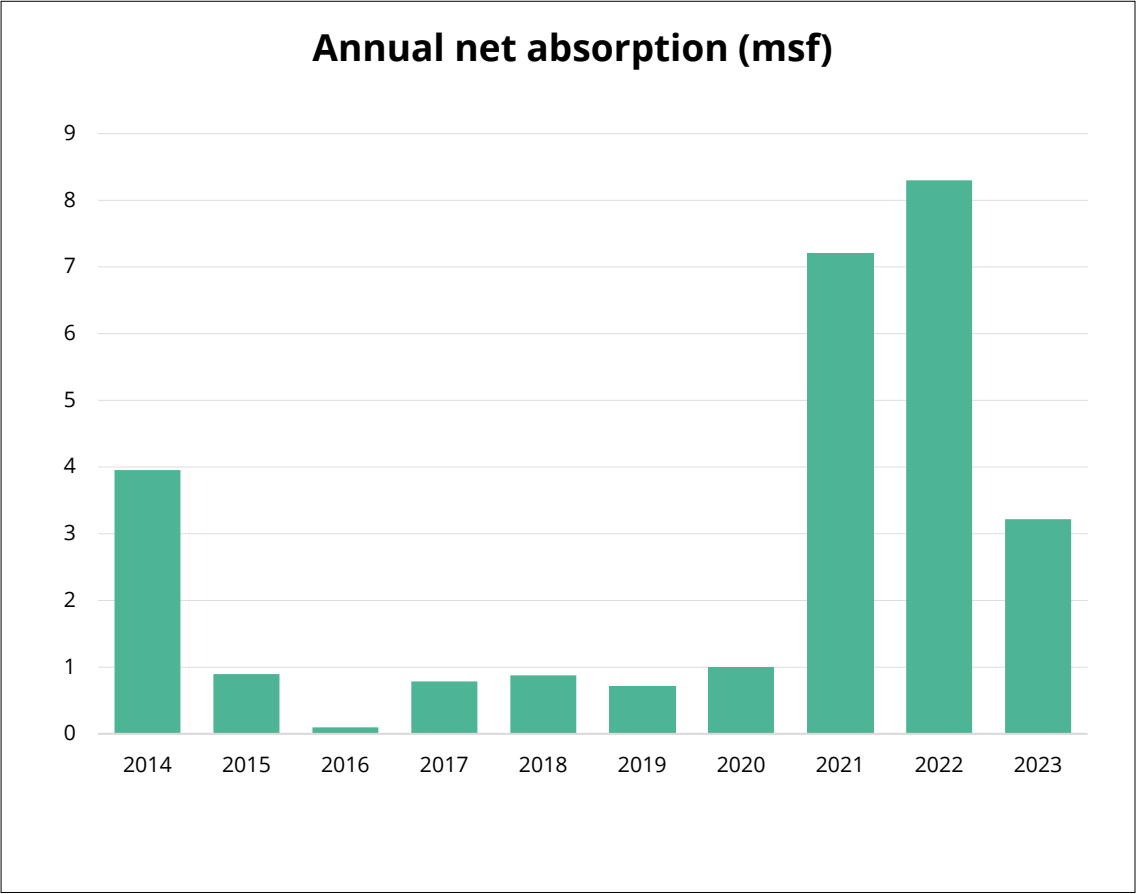
In the year ahead, it is expected that supply constraints will continue to ease as more projects are completed and brought to market. Upward pressure on rental rates will continue, however, relatively low costs will keep Calgary in favour to those looking to relocate or expand their business from more expensive markets. The cost of capital will continue to be a challenge for developers, investors, and tenants alike as the greater economy looks to correct its course in 2024.



Calgary area industrial market indicators

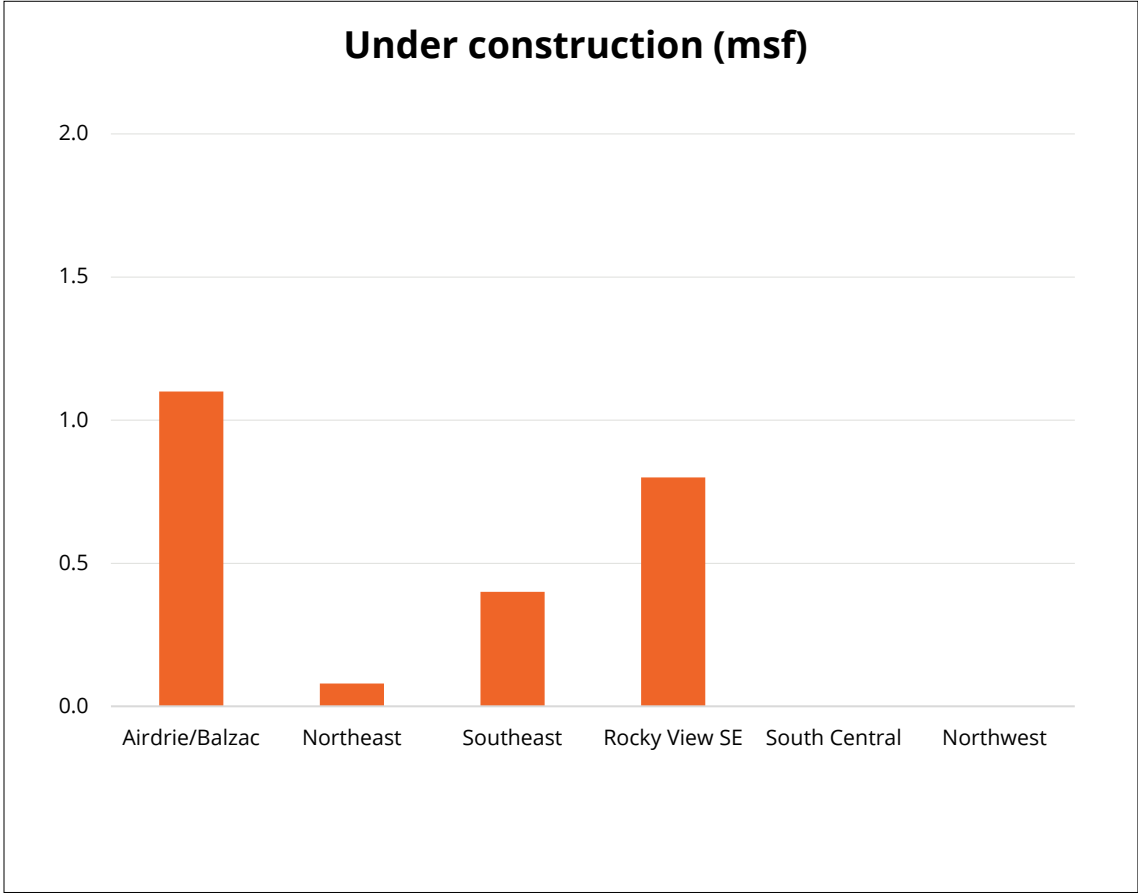


Source: Avison Young

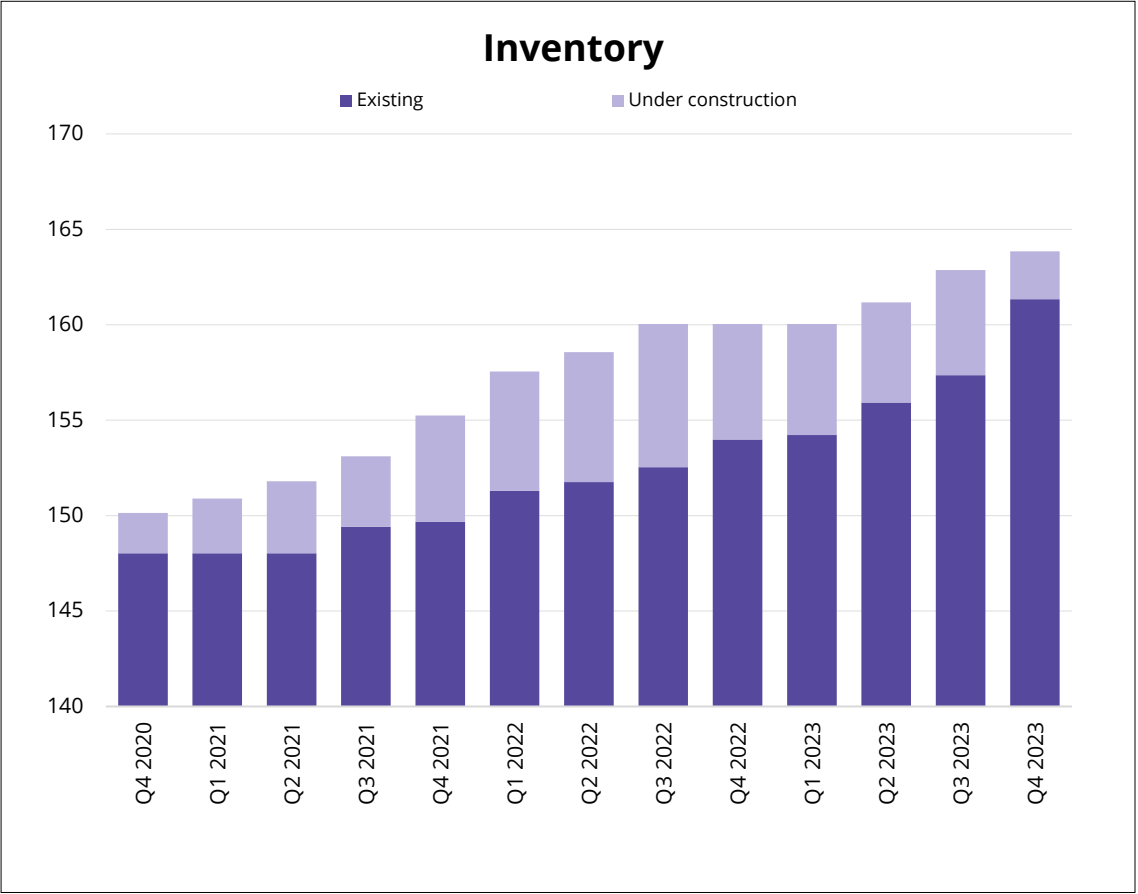


Source: Avison Young

Calgary area industrial market indicators

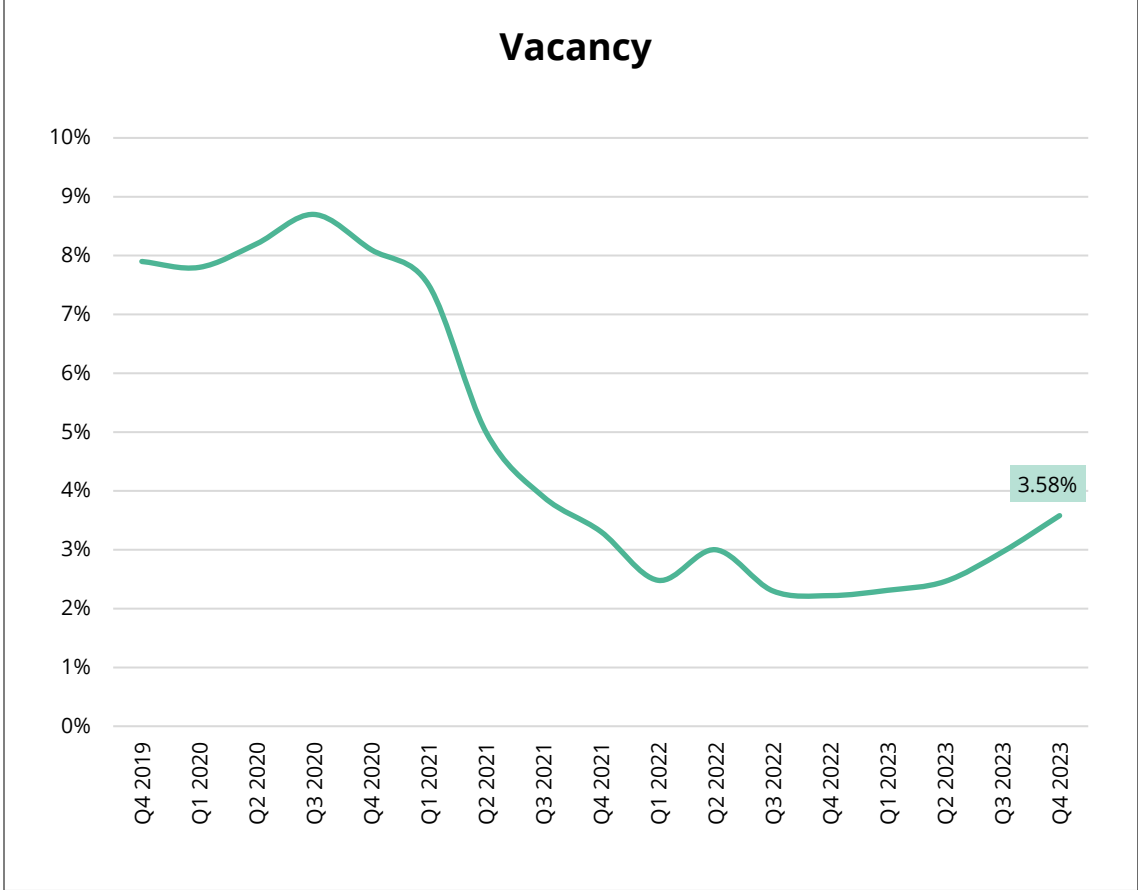


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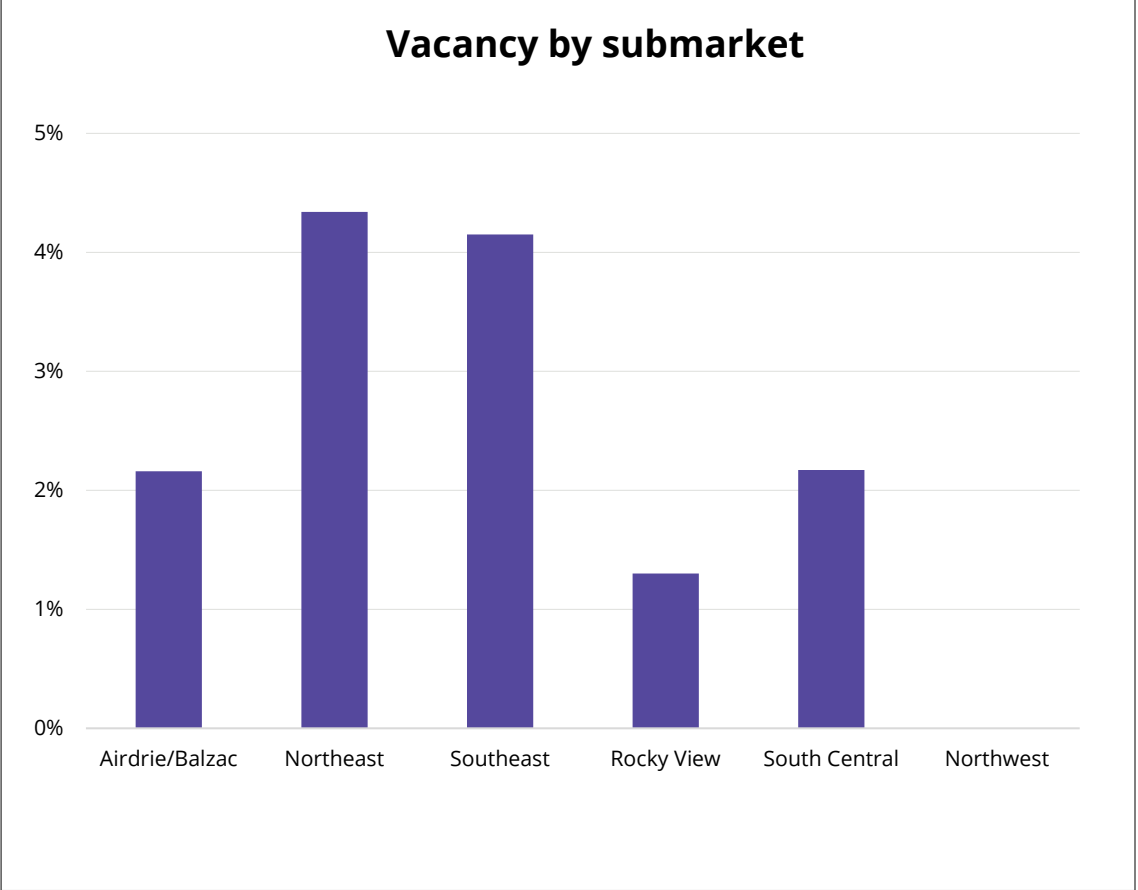


Source: Avison Young

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Calgary area industrial market activity

Q4 leasing activity

Tenant name	Address	Park	Size	Lease type
Basspro/Cabelas/Excel Canada	12290 18 th Street NE	Stoney Industrial	416,000	Headlease
Lennox Industries	5350 86 th Avenue SE	South Foothills	145,000	Headlease
Hardwood Specialty Products	5820-5870 48 th Street SE	Foothills	74,000	Headlease

Q4 sales activity (buildings)

Buyer	Address	Registration date	Sale price	Building size (sf)	Sale price (psf)	Seller
Skyline Industrial REIT	1 High Plains Trail	N/A	\$69,200,000	414,459	\$167	Hillwood Development Company
Mancal Properties Inc.	7911 8 th Street NE	October 23, 2023	\$31,500,000	181,211	\$106	Investors Group
7-Eleven Canada Inc.	5445 8 th Street NE	November 17, 2023	\$8,800,000	74,793	\$119	Wallace & Carey Inc.

Q4 sales activity (land)

Buyer	Address	Registration date	Sale price	Site size (acres)	Sale price acre	Seller
LATT Properties Ltd.	124 East Lake Boulevard NE	November 16, 2023	\$3,850,000	6.08	\$633,224	Dol-Rene Ventures Ltd.
Tractorland	244029 48 th Street West	October 25, 2023	\$3,400,000	98.21	\$34,620	Private Investor
CB Supplies Ltd.	6922 107 th Avenue SE	October 25, 2023	\$3,381,800	4.56	\$741,623	The City of Calgary

For more market insights
and information visit
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