

CASE STUDY



TOP COMMERCIAL LISTINGS
INSPIRING CONFIDENCE

Q1 Blended Market Analysis

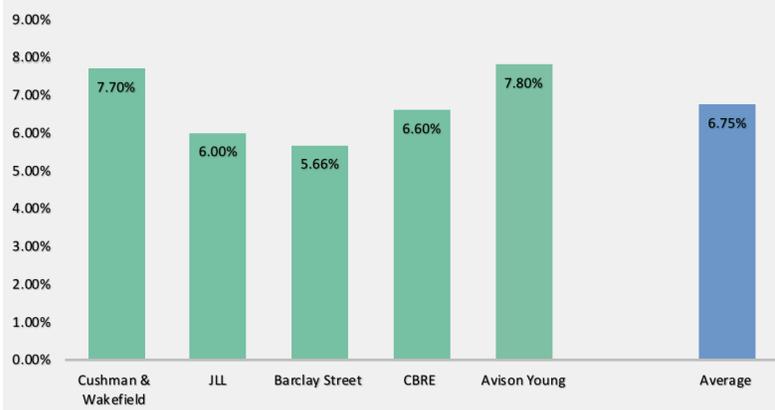
Calgary's commercial real estate industry appears to be in better condition as the stabilization of oil prices is shoring up a weakened economy. The Kinder Morgan Pipeline, a major factor affecting the economy, has seen lots of difficulty reaching its full potential. However, with recent support from the Liberals to buy the Trans Mountain pipeline for \$4.5B, people are confident this will allow Canadians to realize full price for its products. This ["investment in Canada's future"](#) will provide great economic benefits for not only Alberta's economy but as well as Canada's.

Despite the province's 3-year recessionary period, Alberta led the country in 2017 with a [GDP growth of 4.1%](#). Calgary's unemployment rate of 8% is not to be of concern reports Trevor Tomble, an economist with the University of Calgary, ["... the recent increases in the unemployment rate point to a gradual recovery of the city's labour market"](#).

With hopes that the worst is behind us, it seems that Calgary has shown major signs of recovery. This recovery has proven true due to a strong Q1 in commercial real estate.

Calgary's industrial real estate market is expected to continue experiencing growth. This is mainly attributed to strong leasing activity over the first quarter of 2018. When you compare the industry's suggested vacancy rates throughout Calgary, it can be estimated that City's overall vacancy rate sits at 6.75%.

Overall Vacancy Rate



This rate decreased by [70 basis points](#) since the same time last year, which strengthens Calgary presence.

Avison Young reports that there are [2.5 million square feet](#) of industrial space currently under construction. Of this, Balzac accounts of 40% which includes [Amazon's 600,000 sq. ft.](#) fulfillment centre.

Aaron Gunn

Aaron joined Target Realty in 2016, bringing 12 years of management, sales and service experience to assist his commercial real estate clients. In his prior roles, Aaron developed excellent listening and negotiating skills and gained an appreciation for the importance of details in pulling transactions together. Aaron has built a reputation for being honest, ethical and trustworthy. As a negotiator, he has a keen eye and strong voice on behalf of his clients. Aaron specializes in lease, sell or purchase of a property whether industrial, office, investment or land.

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The average industrial lease rate in Calgary currently sits at \$8.60 per sq. ft. Rates in Calgary have remained stable, except for the SE quadrant where the market has seen an increase in asking rates since the last quarter. Cushman and Wakefield reports that [“landlords are reducing incentives such as free rent and improvement allowances as their vacancy concerns diminish”](#).

There is a sense of optimism and confidence in Calgary’s commercial real estate market mainly because of [five consecutive quarters of positive net absorption](#) which has carried into Q1. There has also been a significant shift away from occupiers in the oil and gas manufacturing-based market to large distribution facilities. However, [sales and leasing in the smaller, freestanding spaces](#) (under 20,000 square feet) continues to be very active. As the supply for these types of properties shrink and the demand continues to rise, many landlords have identified the opportunity to sell their older assets in order to fund for new acquisitions and/or developments that can attract new entrants looking for these small to mid-size condo bays.



Outlook

Based on Calgary’s first quarterly results for the industrial real estate market, Calgarians should be optimistic. It seems that recovery will continue throughout the remainder of 2018. It is predicted that with the addition of new development coming to market in 2018 as well as a strong continuation of leasing and sales activity, vacancy rates will decrease, and the Calgary market will continue to retain attention from investors.



Unit 118 - 220, 3907 3A St NE \$518,000 SOLD



Bay G, 2410 2 Ave SE LEASED



Unit 105, 11420 27 St SE \$535,000 SOLD

Current Listings

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