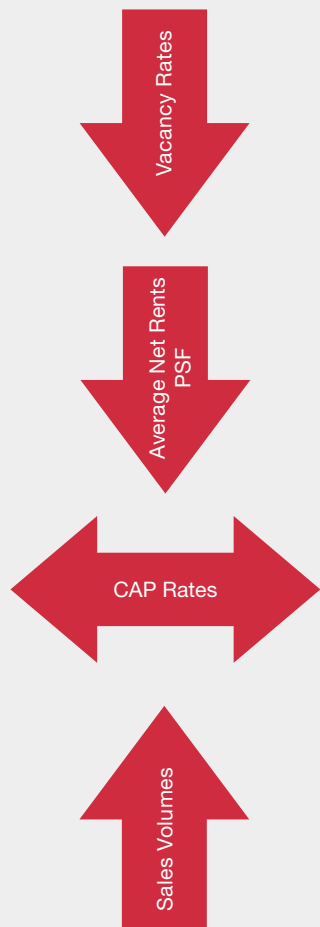


Market Report Fall 2017

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Calgary Commercial Real Estate Trends



Canadian Macro-Economic Overview:

Canada - U.S. Trade Talk on NAFTA Gets Complicated

Probably the biggest factor affecting the balance of trade between the US and Canada since this spring, has been the rapid plunge of the Loonie. Fueled by a devalued CAD to the \$0.75 - \$0.80 USD range, Canadian Exports in the month of April surged to a record high of \$36B CAD, while imports

Figure 1: Canada's Overall Trade Balance (In Billions)



Source: Stats Canada

remained relatively stable at \$31B CAD - representing a \$5B CAD surplus. This trend of surpluses continued all through the Summer and into the Fall, tapering off to around \$3B per month as the CAD started to recover - breaking through the \$0.80 USD threshold. This series of surpluses will bring fuel to those in the US Administration that are in favor of a NAFTA renegotiation. While the Canadian trade authorities may have been embellishing the situation using older trade data going back to 2015, where a trade deficit was present, most assuredly the US administration will be looking at the new numbers. The bottom line is that the US will resist acceptance of Canada's significantly devalued CAD currency as a tool to balance trade and bolster its economy. This is already evident in the Canadian soft wood industry, which has already been hit with a series of US imposed duties from 4.7% to as high as 24% "leaving this sector exposed" (CIBC economist Nick Exarhos). The US administration has made it abundantly clear in other jurisdictions, i.e.: China's so-called "manipulation" of currency to bolster its trade there, that it is not happy trading with those who let their currency devalue. As Canada, Mexico and the US go through their third round of talks on NAFTA, their lack of progress underscores the tenuous mood between the Countries' trade delegations.

In the absence of a new NAFTA Agreement we can expect more duties/disagreements to emerge in the shipment of things like cars and other manufactured goods. We have already witnessed a dramatic reaction from the US with respect to doing trade in the Aero Space industry regarding Bombardier. It is likely to get worse before it gets better. This level of uncertainty will most certainly weigh heavily in the future performance of the Canadian economy in general and most heavily on provinces such as B.C., Alberta, Ontario and, Quebec where the aforementioned industries (soft wood lumber, cars, aerospace) are most predominant.



Small Business, Big Taxes

As governments, at all levels, look for ways to bolster revenue to support spending, they certainly have not exercised restraint in raising taxes on businesses. To increase provincial revenue in Alberta, corporate taxes were raised from 10 to 12% in 2015, then carbon taxes were introduced in 2017, along with more regulation of several kinds that add costs and slow down business. Meanwhile the Provincial deficit in Alberta runs at a record \$12B per year, meaning this trend may continue.

The City of Calgary announced that commercial property tax increases would be capped at 5% in 2017. In most cases taxes still went up- on average- by 11.36% (Altus Group 2017 Report). Calgary businesses currently pay a property tax rate that is 2.73 times higher than homeowners (The highest amongst major cities in the Prairie Region of Canada- Figure 2) and to compound this much of the tax burden is being pushed out of the downtown core to the industrial, retail and suburban office sectors in the suburban areas of Calgary. In 2018, projections are that Mill Rates will be up by about 8% (See figure 3) on continued increasing assessments creating an overall projected tax increase on commercial property (non-downtown office) of 10% to 20%. More over, there are examples of property taxes on certain properties jumping as much as 95%, which has in several instances, resulted in the businesses closing down. Tax increases must be passed onto to the commercial owner user and tenant alike. Meanwhile government spending on capital projects and staffing goes on relatively unabated, so this may be a continued trend unless the downtown sector begins to make a dramatic recovery quickly.

The most recent round of tax increases now comes at the Federal level, with the current government saying that small business and those incorporated enjoy an "unfair advantage" over others. As a result several tax credits introduced by previous governments have been rolled back or removed all together. This will invariably impact small businesses, independent contractors and professionals.

Regional and National Unemployment Rates

GDP growth in Alberta is uncertain at this point and is expected to be within 1.4 - 3.2% this year, more than doubling 2016's GDP growth of 1.5%. Economic growth is expected in all provinces except for the Atlantic regions. Alberta's unemployment rate is currently at 8.1% which is a modest improvement over the unemployment rate of 9.3% percent experienced at this time in 2016. 7,600 full-time jobs were added in August for Albertans. However, this number was offset by a loss of 5,400 part-time positions. Meaning only 2,300 jobs were added in Alberta in the month of August. Nearly 8,000 workers have also given up on the job search altogether this September. The biggest drop in employment was realized in the Service and Accommodation industries. The minimum wage hikes throughout Alberta are estimated to have directly resulted in a loss of 5,400 part-time positions as companies are unwilling to keep as many employees on staff. Alberta has also lost people to the rest of Canada for eight consecutive quarters, with the net outflow of the province reaching 30,239 in the last two years. Canada's unemployment rate is currently sitting at 6.3%.

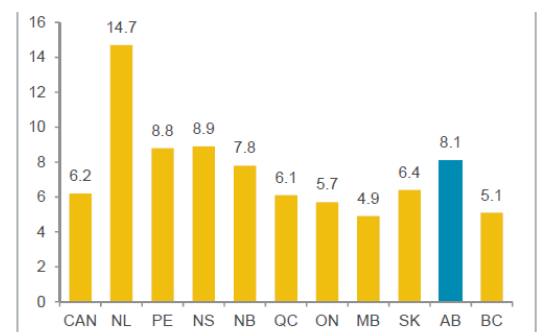
Figure 2: - Commercial To Residential Tax Ratios - Canadian Prairies

City	Commercial To Residential Tax Ratio
Calgary	2.73
Edmonton	2.44
Winnipeg	2.01
Regina	1.75
Saskatoon	1.72

Figure 3: Mill Rate - Non Residential Tax YTY

Year	Municipal Non Residential Tax Rate
2017	0.01388
2016	0.01215
2015	0.01074
2014	0.01069
2013	0.01099

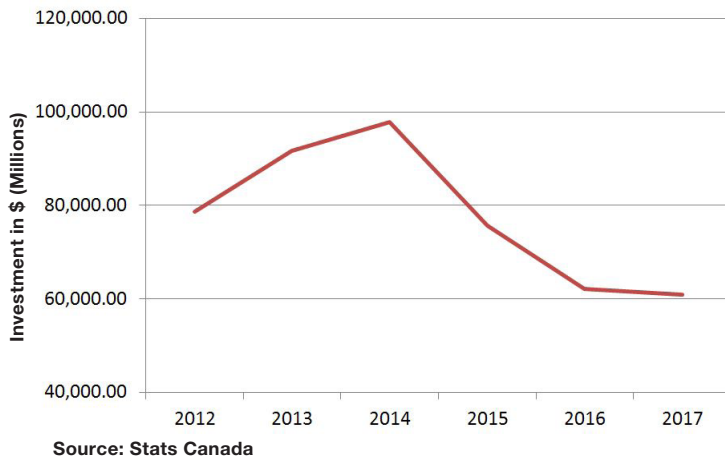
Figure 4: Unemployment Rate (August 2017)



Source: CANSIM 282-0087

Pipeline Capacity Bottlenecks Continue

Figure 5: Investment In Alberta - All Industries



While rig counts in 2017 doubled over the past year, this is a small consolation for the severely crippled industry in 2016 due to wild fires and soft prices for oil and gas. Nonetheless this up-tick in drilling was a positive sign for Alberta, but was not good enough to over-shadow the crippling effects of a failed pipeline approval process.

The Trans-Mountain Pipeline from Alberta to the West Coast remains in question due to resistance from the newly elected BC Government. The XL Pipeline to the US, while getting a new lease on life from the new US Republican Administration, continues to face head winds due to delays in NAFTA talks. Now, the biggest and most recent blow has been in the cancellation of the Energy East Pipeline, eliminating a capital injection by Trans Canada pipelines of over \$15B dollars to several provincial economies.

The cancellation of this pipeline is viewed by many to be the biggest “self-inflicted” blow to the Canadian economy in many months because it negatively affected so many provinces that were expecting to participate in its construction, operation of facilities, and eventual sale of crude oil to eastern markets and overseas (most notably affected were Alberta, Saskatchewan, Ontario and New Brunswick). This pipeline would have been able to provide safe and more efficient transport of up to 1.1 Million barrels of oil per day. In essence another year is about to go by and yet no more pipeline capacity is available to the Alberta oil producer. Canadians continue to be deprived to the economic benefits that come with improved access to markets and energy independence. Meanwhile the rail cars loaded with Alberta Crude oil to the United States continue to roll. As a result, the price of Canadian Select Crude remains at a \$14.30 discount to West Texas Intermediate (WTI). With as many as 140,000 barrels of oil per day being transported by rail rather than pipeline, this represents a \$750,000,000 (CAD) annual loss in revenue to the Alberta and Canadian Economy.

The residual effects of failed efforts to get Western Canadian Oil to markets efficiently has created a significant loss of confidence by world capital markets on the future investment prospects of Canada. Some industry experts have gone as far to say that Canada’s investment climate with respect to the oil and gas sector has become toxic – not unlike the label imposed on the securitized loan industry 10 years ago. As a result, Investment in Alberta’s economy continues to drop dramatically. The residual effects of cancelled pipelines and uncertain tax regimes for oil and gas investment has resulted in a reduction of tens of billions of dollars of reduced investment (**Figure 5**). Given the long list of failed attempts of various pipeline projects and the tepid support of some by various levels of Government, it is expected that this exodus of investment capital will prevail for the foreseeable future.

Calgary - A Regional Distribution Hot Spot

Despite the obvious issues in the energy sector, it is well known amongst regional distributors that Calgary remains major distribution hub for western North America. **Whirlpool Canada** recently announced the construction of a 425,000 square foot regional distribution centre at the CN Logistics Park in greater northeast Calgary. It has been reported that **Amazon** is in the process of securing a 600,000 square feet of premises for a distribution center in the north region of greater Calgary.

With its rail transport infrastructure and proximity to intermodal facilities well connected to the Port of Vancouver, Calgary has a distinct advantage as a home for businesses to operate their Western DC's (Regional Distribution Centres). Calgary's geographic proximity to major North American centers, along with an improved logistics infrastructure, has contributed to developers appetite to build large projects (even on a spec basis) that will attract regional and national distributors. High Plains Industrial Park, which is already home to **Sobeys**, **Smuckers** and **Gordon Food Services**, recently announced a that a partnership may be proceeding with another 400,000 square foot spec distribution center that is designed for an additional 200,000 square feet should the market require it.

Nose Creek Business Park (Figure 6) is a 324 acre- planned 5.5 million square foot master planned mixed use commercial project that has attracted a number of large tenants to the initial phase of the development. **Richard's Packaging** recently concluded a 48,000 square foot lease with the developer of the project, and the first two buildings of phase 1 have been completed totaling approximately 400,000 sq. ft. of distribution space. This project is now approximately 80% leased.

The SE sector of Calgary also remains active on the DC front, with two major deals transacted in the Q3 2017. **Indigo** took on a 243,000 square foot lease for their distribution center at 5800 79 Avenue SE and **Nissan Canada** completed a deal for 154,000 square feet at 6075 86 Avenue SE.

Figure 6: Phase 1 of the Nose Creek Business Park



Source: Nose Creek Business Park 2017



Professionally Managed by NAI Advent

Calgary's Commercial Real Estate Overview

The overall Calgary commercial real estate market continued to show signs of stress throughout the Spring and the Summer. However, Alberta's economy is gradually starting to stabilize and certain sectors are much improved. Oil prices have steadied around \$US 50 per barrel. Both the number of rigs and metres drilled have doubled from last year and oil and gas investment is beginning to stabilize. Calgary's industrial real estate market is more diversified from the energy sector compared to the office market. This diversity has helped stabilize the overall industrial vacancy rate and has kept lease rates in check. Suburban office while leveling off temporarily, has taken another dip downward as many firms consolidate and often migrate back to the Downtown Core. Meanwhile, the retail sector of the market remains relatively strong outside of Downtown Calgary.

Greater Calgary Industrial/Flex Space Market

As of Q3 2017, the industrial vacancy decreased slightly by 1.1% and now stands at 6.8%. The decrease in vacancy is mainly due in part to motivated Landlords looking to fill some relatively chronically vacant space. That said, net absorption for the overall Greater Calgary industrial market was strong at **610,895 sf** in Q3 following the extremely robust **1,822,343 sf** in Q2 of 2017 reflecting increased and sustained demand. While there has been increased transaction volume in the small to mid-sized bay market, the most significant contributor to absorption has been large scale distributors. Overall asking rental rates have remained fairly consistent quarter over quarter at \$9.46 per square foot. The small to mid-sized bay market, having gone through a relatively soft phase, is now showing clear signs that lease rates and vacancies have stabilized in this sector.

Figure 7: Industrial/Flex Average Asking Rates Calgary Overall

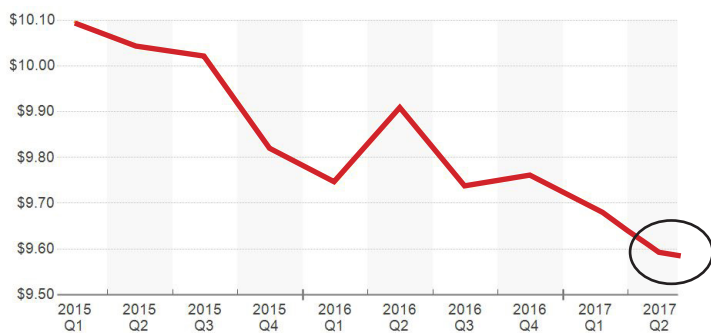


Figure 8: Y/Y Industrial Market Statistics

Year	Overall Vacancy Rate	Overall Availability Rate	Average Asking Lease Rate (Net)
2015	6.5%	8.7%	\$9.82
2016	7.8%	9.7%	\$9.76
2017 Q2	7.9%	9.3%	\$9.59
2017 Q3	6.8%	9.1%	\$9.46



Professionally Managed by NAI Advent

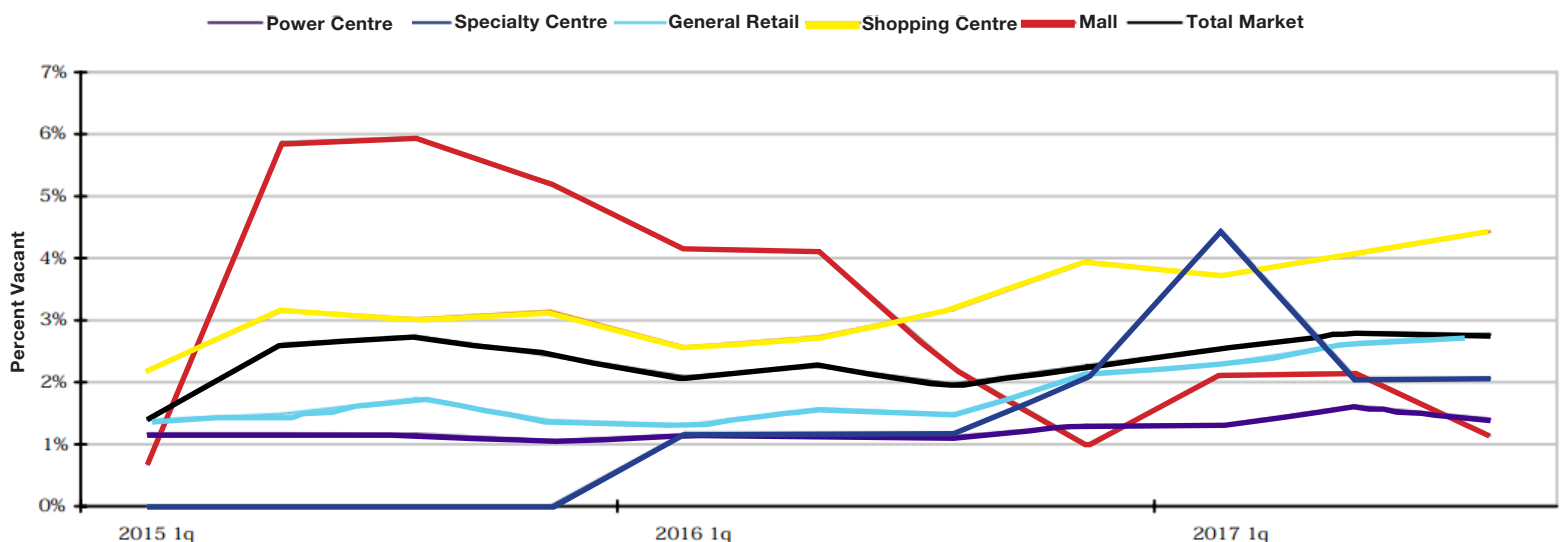
The overall Retail Market in Q3 of 2017 continues to show signs of surprising strength in the Calgary marketplace. However, Big Box retailers in particular have continued to struggle. Last year we saw **Target** and **Future shop** dissolve their Canadian locations and in Q3, Big Box retailers like **Wholesale Sports, Cabela's and Bass Pro Shops, Toys-R-U's and, Sears** have consolidated, re-worked, or dissolved their Canadian operations. Certainly the rise of e-commerce and online shopping has continued to impact these traditional Big Box stores.

Despite this, Calgary is having no trouble convincing major retailers to enter our market such as **Nordstrom Rack, Sporting Life, La Maison Simons and Saks Off 5th** who have all opened or will soon open stores with large sf footprints. Calgary's urban centres have also been particularly strong, this is evident in the introduction of nearly 500,000 sf of new retail space in Mahogany Village Market and Seton Gateway. 130,000 sf of retail space was also introduced in the suburban north markets mainly coming in the form of the new Deerfoot City Power Centre. These developments are expected to be near completion by year-end 2017.

The CBD (Central Business District) retail market hasn't fared as well as its suburban counterparts. Office vacancy is a driving force in successful downtown retail locations, therefore a downtown office vacancy hovering around 30% isn't ideal for a strong downtown retail market. CBD retail vacancy is around 10%. This number could increase unless the office market sees more stabilization. The city is helping to address the retail issues downtown as they have set aside a sizeable \$10 million reserve fund to help revitalize downtown retail. The City of Calgary has also made the process for tenants to attain occupancy permits quite simple within the Core. These initiatives will help increase the value of downtown retail and could "lease-up" some of this under-utilized space. However the CBD will need some time before it is going to return to the strong retail market we once saw in Q3 2014.

Overall, retail vacancy in Calgary as a whole is trending downward as less retail developments continue to be introduced to the market since last spring. Also, consumer spending has ticked up 2.4% since last spring which will likely continue to attract strong retailers as they want to take advantage of increased consumer spending.

Figure 9: Vacancy Rates by Building Type



Source: CoStar Property

The downtown core isn't the only office market being affected by the struggling economy. Suburban office vacancy has once again increased, reaching 10.8% by the end of Q3, a total increase of 0.5% over the course of the past year. This vacancy rate however, is minimal compared to the Downtown vacancy rate of 27.2% which is a 0.3% increase from the previous quarter. Despite the increase in vacancy, the Suburban market saw rental rates decrease from \$32.10 to \$31.66 while the Downtown market more appropriately saw headlease rates increase from \$35.07 to \$37.70. That said, it is still solidly a Tenant's market, where multiple sublease opportunities can be formed at substantially discounted prices. In terms of the overall Calgary office market, two office buildings were delivered in the third quarter totalling 91,100 square feet with 3,693,381 square feet still under construction. This compares to seven office buildings that were completed in Q2 totalling 856,312 square feet. There was a negative (152,019) square feet of net absorption for the overall greater Calgary office market. This could be attributed to a number of tenants who moved out of large spaces.

Notable tenants moving out of large spaces in 2017 include:

- **Worley Parsons Canada Services Ltd.** moving out of 158,702 SF at Sundance West I (Downtown)
- **Apache Corporation** moving out of 75,652 SF at TD Canada Trust Tower (Downtown)
- **Fluor Canada Ltd.** moving out of 57,967 SF at 115 Quarry Park Road SE (Suburban)
- **WSP** moving out of a 45,000 SF sub-lease at Sun Life Plaza East (Downtown)

Notable tenants moving into large spaces in 2017 included:

- **Brion Energy** moving into 272,424 square feet at 707 Fifth (Downtown)
- The **University of Calgary** moving into 102,823 square feet at Smart Technologies (Suburban)
- **Computer Modelling Group Ltd.** moving into 91,500 square feet at 3710 33rd St NW (Suburban)
- **WSP** moving into 125,000 SF at Fifth Avenue Place West (Downtown)

Other notable lease signings thus far in 2017 include:

- 70,809 square foot deal signed by **Bantrel** at Glenmore Professional Centre in the suburban market
- 64,140 square foot deal signed by **RocketSpace** at the Edison on 9th Ave SW in the Downtown market

Figure 10: Deliveries, Absorption & Vacancy - Downtown Calgary Office

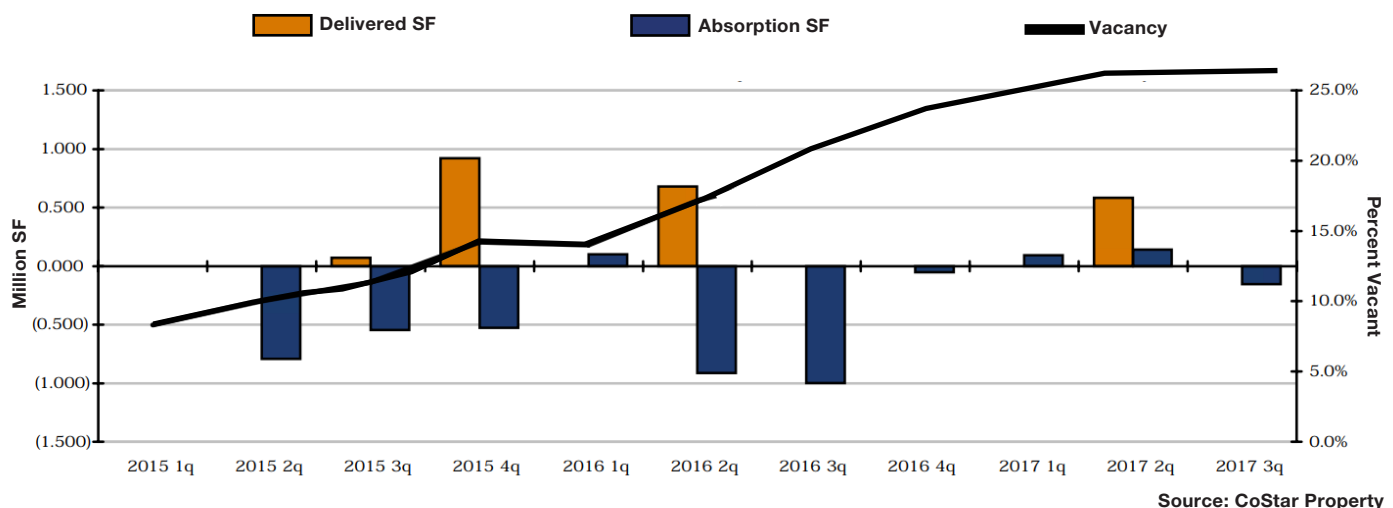


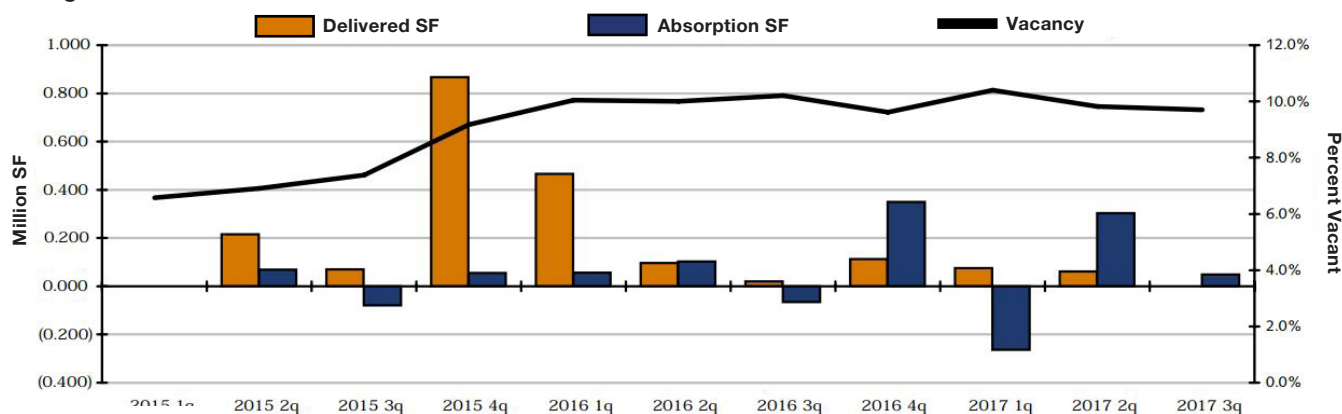
Figure 11: NE Market Statistics

Source: CoStar Property

Area	Net Absorption SF (Q2 2017)	Net Absorption SF(Q3 2017)	Ave. Net Asking Rate (Q2 2017)	Ave. Net Asking Rate (Q3 2017)	Vacancy (Q2 2017)	Vacancy (Q3 2017)	Availability (Q2 2017)	Availability (Q3 2017)
Mayland	245,914	-80293	\$9.37	\$7.58	12.5%	16.2%	17.0%	7.9%
Meridian	40,841	-34916	\$10.07	\$11.93	1.8%	3.3%	4.5%	5.0%
Franklin	131,280	47780	\$9.14	\$9.15	12.1%	10.2%	10.6%	9.6%
Sunridge	-39,295	-62158	\$9.55	\$11.36	11.0%	15.2%	15.1%	18.9%
South Airways	10,799	-18888	\$10.05	\$10.08	5.7%	6.1%	6.2%	0.1%
Horizon	6,183	-22078	\$7.40	\$7.61	7.8%	8.1%	12.1%	11.0%
North Airways	6,397	-5681	\$7.26	\$8.13	7.7%	3.0%	2.7%	7.7%
McCall	-18,070	-27164	\$8.16	\$7.85	10.6%	11.5%	10.5%	12.6%
Greenview	-3,170	-7841	\$10.39	\$10.67	1.9%	2.2%	2.8%	3.4%
Skyline West	-13,752	5800	\$11.33	\$11.11	1.8%	1.1%	1.1%	2.6%
Skyline East	-23,586	8325	\$7.88	\$9.64	3.2%	2.6%	2.9%	5.4%
Deerfoot Business Centre	3,182	-30373	\$9.47	\$9.36	7.7%	8.6%	12.5%	12.4%
Pegasus	-8,330	0	\$12.00	\$12.00	5.2%	5.2%	5.7%	5.2%
Westwinds	-5,810	-1797	\$15.02	\$12.30	0.9%	1.0%	0.9%	3.0%
Stoney 1	22,739	50341	\$8.06	\$8.06	7.4%	5.5%	21.8%	20.8%
Stoney 2	-34,572	210011	\$10.02	\$10.95	32.8%	27.9%	32.4%	28.1%
Stoney 3	-63,823	66082	\$16.00	\$9.02	58.3%	50.0%	42.2%	35.6%
Airport Hangars	-13,978	-5843	\$9.57	\$9.57	16.4%	16.8%	18.6%	16.8%
Outlying NE/Balzac	1,677,617	57761	\$8.04	\$8.51	8.7%	8.2%	10.8%	8.9%
TOTAL	1,920,566	149,068	\$9.94	\$9.73	11.24%	10.67%	12.13%	11.31%

The NE Market is bounded by Memorial Drive, Deerfoot Trail, and Stoney Trail. The NE is showing a decrease in vacancy 0.57% from Q2 to Q3 2017. When vacancy rates are this high and they begin to approach the rate of availability, tenant and user mobility becomes more fluid with more options available that are more favorable for their operations. Average asking rates continue to erode as Landlords have seen a decrease in asking rents from \$9.94 to \$9.73/ SF (Figure 11). The most notable change from Q2 2017 to Q3 2017 is the large swing in the absorption rate, slowing to a meagre 149,000 SF from a more robust, 1,920,000 SF in the spring. This could be attributed to the fact that a number of new tenants moved into larger spaces, most notably in the Balzac and Airdrie area earlier on this year and that this left a significant amount of space to be back filled. Another notable project affecting the NE absorption is Enright's Airport Crossing project. The first phase consisted of 2 new warehouse buildings totalling 291,600 SF and is 95% leased out. The second phase of this project consists of two more warehouses. Despite the NE market showing high vacancy rates, it is also host to many of the biggest transactions and highest absorption figures. Therefore, competition amongst Landlords and Developers in the region is quite fierce.

Figure 12: NE Industrial Market



Source: CoStar Property

Figure 13: SE Market Statistics

Area	Net Absorption SF (Q2 2017)	Net Absorption SF(Q3 2017)	Ave. Net Asking Rate (Q2 2017)	Ave. Net Asking Rate (Q3 2017)	Vacancy (Q2 2017)	Vacancy (Q3 2017)	Availability (Q2 2017)	Availability (Q3 2017)
Shepard	-49,018	939	\$12.83	\$17.17	8.1%	8.2%	14.9%	14.1%
Southbend	-9,512	3,397	\$11.31	\$12.68	3.6%	2.7%	9.0%	3.2%
Frontier	81,700	-36,340	\$10.76	\$10.44	2.2%	5.2%	2.2%	6.5%
Section 23	-183,662	189,389	\$9.93	\$7.44	18.8%	11.2%	20.0%	12.0%
Point Trotter	16,208	0	\$14.30	\$13.23	0.9%	3.8%	1.5%	3.3%
Great Plains	134,170	47,956	\$10.41	\$10.44	14.8%	14.1%	16.0%	16.7%
Starfield	-54,808	69,139	\$7.73	\$8.48	7.0%	4.0%	10.8%	6.6%
Golden Triangle	1,970	25,961	\$12.29	\$12.78	7.0%	2.3%	7.3%	2.6%
Forest Lawn	43,811	-400	\$9.79	\$4.35	1.0%	1.4%	2.0%	2.1%
Eastfield	-167,454	149,389	\$10.78	\$8.10	7.1%	5.7%	7.6%	5.9%
Valleyfield	-37,785	22,441	\$9.30	\$9.70	3.2%	2.2%	5.4%	6.0%
Foothills	-9,512	25,385	\$11.31	\$11.08	5.0%	3.6%	9.0%	11.2%
84th Street Corridor	-94,944	103,283	\$8.22	\$7.97	4.9%	4.4%	6.3%	6.0%
South Foothills	117,620	29,721	\$11.53	\$11.62	7.6%	7.0%	11.2%	10.7%
Dufferin	0	40,000	\$13.00	\$7.00	0.9%	2.4%	0.9%	2.4%
Ogden Shops	0	43,000	\$5.95	\$5.95	2.8%	4.6%	2.8%	0.0%
TOTAL	-211,216	713,260	\$10.59	\$9.90	5.93%	5.18%	7.93%	6.80%

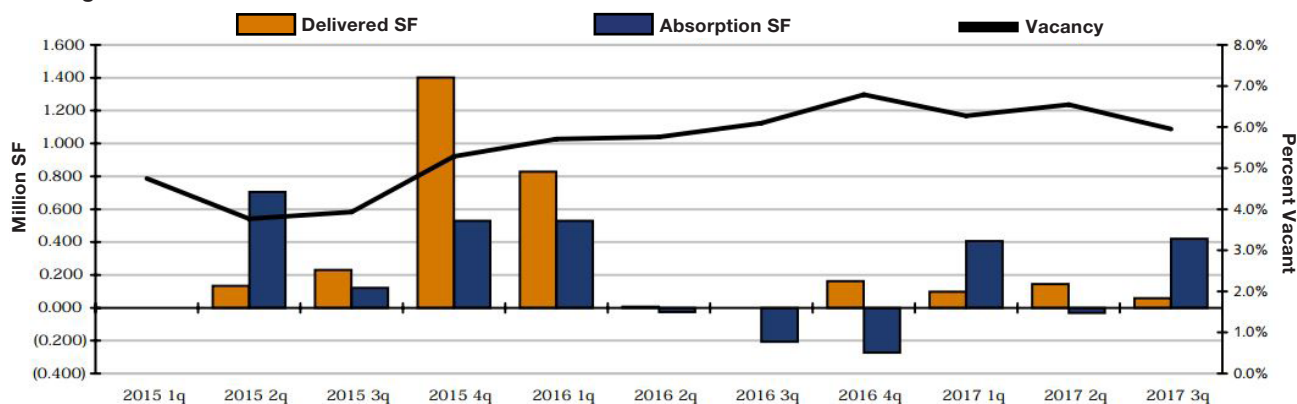
Source: CoStar Property

The South East industrial market has seen a significant increase in positive absorption. Vacancy rates have shifted downward by 0.75% and is currently at 5.18%. Despite the improved vacancy, net asking rates continued to decline somewhat. Tenants have seen these lower lease rates as an incentive to move into the SE industrial market, to capitalize on this trend.

There has been a number of large notable lease transactions in the SE Industrial Market. **Cascades** moved into 154,141 sf at 6075 86th Avenue SE. **Stryder Motorfreight Canada Ltd** moved into 150,654 sf in East Foothills and **D'angelo Studio** moved in to 100,633 square feet at Riverview Atrium 1.

On the contrary a number of Tenants have moved out of space in this region as well. **PODS** left 105,297 square feet at 11150 38th Street SE. **ENERFLEX Group** vacated 99,573 square feet at 10121 Barlow Trail NE and **Ply Gem Canada Inc** vacated 91,442 square feet at 2264 48th Street SE.

Figure 14: SE Industrial Market



Source: CoStar Property

Greater Calgary

Central Industrial Market

Fall Review 2017

Industrial/Flex Space

Figure 15: Central Market Statistics

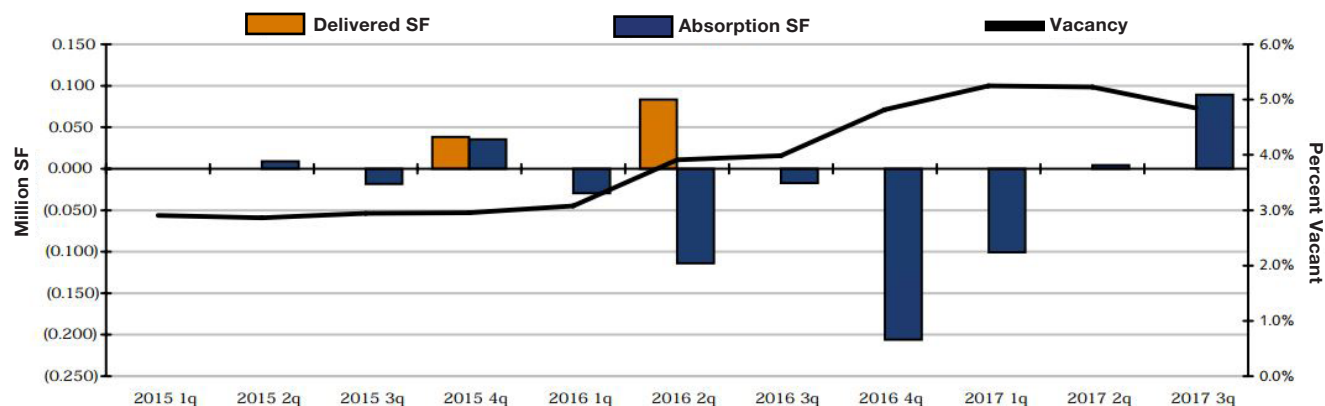
Source: CoStar Property

Area	Net Absorption SF (Q2 2017)	Net Absorption SF(Q3 2017)	Ave. Net Asking Rate (Q2 2017)	Ave. Net Asking Rate (Q3 2017)	Vacancy (Q2 2017)	Vacancy (Q3 2017)	Availability (Q2 2017)	Availability (Q3 2017)
Ramsay	-65,598	75,016	\$7.12	\$7.64	10.3%	5.2%	9.3%	10.8%
Alyth	3,100	0	\$6.78	\$6.95	0.9%	0.9%	0.9%	0.9%
Bonnybrook	34,401	3,928	\$8.81	\$9.58	2.9%	3.0%	5.2%	5.00%
South Manchester	31,176	44,240	\$12.01	\$11.95	5.1%	4.2%	9.7%	6.9%
North Manchester	-10,320	-29,322	\$10.94	\$10.81	3.3%	4.4%	4.8%	6.1%
Burbank	14,522	-6,199	\$8.76	\$8.92	11.6%	12.1%	11.8%	11.1%
Fairview	1,498	1,135	\$11.84	\$10.73	7.0%	3.6%	14.1%	5.0%
Riverview	-8,971	-14,571	\$11.19	\$10.65	6.2%	8.2%	10.8%	11.6%
East Fairview	31,449	-44,386	\$8.00	\$10.46	3.5%	4.5%	5.3%	6.3%
South Highfield	-2,715	23,478	\$8.82	\$9.35	5.0%	4.1%	9.8%	11.4%
Highfield	-12,356	18,618	\$8.81	\$8.50	7.2%	6.5%	14.1%	12.2%
TOTAL	16,186	71,937	\$9.37	\$9.59	5.73%	5.15%	8.71%	8.00%

The Central Market is located South of Memorial Drive, between Deerfoot Trail, McLeod Trail and Southland Drive. Vacancy rates appear to have bottomed out at 5.15%. Average asking lease rates have increased to \$9.59 per square foot compared to \$9.37 in Q2 of 2017. Lease up periods in the area are however notably longer (9 months) due to the amount of chronically vacant space on the market. In Q3 absorption remains tepid but managed to increase by 55,751 sq. ft.. The increased absorption is a welcome change to a market that has been relatively stagnant for quite some time. The Central market noted as the “quasi-retail” and “service sector” of the industrial market though having experienced some of the most significant rent decreases over the last four quarters it is often the product of choice for many private buyers and owner/users.

The flex office portion of this market continues to feel pressure as the Landlords of Downtown properties are giving favorable lease rates to Tenants enticing them to move back in to the Core vacating flex space on the market. This migration back to the core is most evident in the Highfield and Burbank regions of the central market. The sale of 6807 Railway Street SE helped relieve some of the vacancy as **Calgary Railway Ltd** purchased 72,250 sf on 9.10 Acres for \$27,497,196.00 or \$381.00 / SF. However, **WSP**, a large engineering firm, consolidated and vacated to a downtown location.

Figure 16: Central Industrial Market

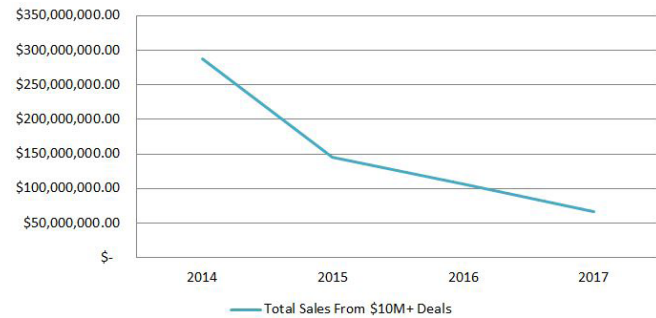


Source: CoStar Property

Investment/Lease Transactions

In Q2 and Q3 of 2017 there has already been 4 transactions for industrial buildings over \$10M, totalling over \$74M in sales. This means the industrial market is well ahead of the sales experienced in 2016. However, in **Figure 17** you can see year-over-year the total sale numbers have decreased from industrial buildings over \$10M being sold. This figure indicates that more transactions are occurring however, in recent years they have been smaller in nature.

Figure 17: Industrial Sales From \$10M+ Deals, Year Over Year



Major Calgary Industrial Sale Transactions (over \$10,000,000) April 2017 - October 2017

Building	Building Area	Sale Price	Price Per SF	Subdivision
10121 Barlow Trail NE	159,461 sf	\$35,000,000	\$219	Freeport Business Centre
5055 11 Street NE	64,000 sf	\$15,400,000	\$241	Skyline Industrial Park
5250 94 Avenue SE	98,402 sf	\$14,000,000	\$142	South Foothills
6061 90 Avenue SE	50,000 sf	\$10,350,000	\$207	South Foothills

Figure 18: Industrial Sales/ Last 3 Months

Average Sale Price:

\$5,080,150.00

Average Price Per SF:

\$196.00

Average Building Size:

42,532 SF

Number of Transactions:

42

Notable Lease Transactions April 2017 - October 2017 (over 15,000 SF)

Address	Size (SF)	Tenant	Submarket
5800 79 Avenue SE	243,000	Indigo	SE
6075 86 Avenue SE	154,141	Nissan Canada	SE
2930 Centre Avenue SE	114,481	Telus	SE
2730 39 Avenue NE	30,154	AGAT Laboratories	NE
10710 25 Street NE	17,672	Ceva Logistics Canada	NE
10761 25 Street NE	19,592	Canwood Cabinets	NE
6499 84 Street SE	32,100	AKX Lumber	SE
3916 61 Avenue SE	32,467	Pacific Coast Warehousing Ltd	SE
4852 52 Street SE	32,220	Versa Power Systems	SE
10725 25 Street NE	24,176	Landmark Global Inc.	NE
3900 106 Avenue SE	16,291	Constructive Works Ltd.	SE
4828 52nd Street SE	22,805	Western Ribbon Ltd	SE

NAI Research

NAI Advent is a full service commercial real estate firm located in Calgary, Alberta, Canada. We are locally owned and operated, yet we have the advantage of being part of one of the largest commercial real estate networks in the world: NAI Global. We are geared to handle all clients' needs under one roof. We specialize in selling and leasing of commercial real estate as well as property management, consulting and group investment. Our goal is to provide a collaborative personalized approach with our clients in creating superior real estate solutions. With our broad based list of specialists in house, we offer a unique project driven process to enhancing real estate which encourages a more strategic and long term approach. By doing so, we are able to offer more value-add to all types of commercial real estate.

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Associate



Magda Windak
Sales Assistant

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Property Manager



Patrick White
Property Manager



Victoria Nikitina
Accountant



Kathleen Lefevre
Accountant



Kristine Emery
Executive Assistant



Robin Murray
Building Operator

For Lease or Sublease

Industrial Properties

Fall Review 2017

Current Listings



ADDRESS	4030 8 Street SE
AVAILABLE SIZE	39,275 SF
CEILING HEIGHT	18'
LEASE RATE	Market
OP COSTS	TBV
LOADING	2 Drive-in Doors, 1 Dock Door



ADDRESS	3309 9 Street SE
AVAILABLE SIZE	17,183 SF
CEILING HEIGHT	13'-14'
LEASE RATE	\$9.00
OP COSTS	\$3.48
LOADING	2 8'x10' Dock Doors



ADDRESS	3633 8 Street SE
AVAILABLE SIZE	12,577 SF
CEILING HEIGHT	14'
LEASE RATE	Market
OP COSTS	\$4.68
LOADING	1 Drive-in



ADDRESS	809 34 Avenue SE
AVAILABLE SIZE	9,752 SF
CEILING HEIGHT	TBV
LEASE RATE	Market
OP COSTS	\$4.86
LOADING	1 8'x10' Dock Doors



ADDRESS	1315 Hastings Crescent SE
AVAILABLE SIZE	8,169 SF
CEILING HEIGHT	15'
LEASE RATE	\$9.50 - \$10.00
OP COSTS	\$4.96
LOADING	1 12'x14' Drive-in Door



ADDRESS	5240 1A Street SE
AVAILABLE SIZE	3,642 SF
CEILING HEIGHT	18'
LEASE RATE	Market
OP COSTS	\$2.61
LOADING	1 Drive-in Door



ADDRESS	6115 4 Street SE
AVAILABLE SIZE	2,304 SF
CEILING HEIGHT	14'
LEASE RATE	Market
OP COSTS	\$4.99
LOADING	1 12'x14' Drive-in Door



ADDRESS	6143 4 Street SE
AVAILABLE SIZE	2,304 SF
CEILING HEIGHT	14'
LEASE RATE	Market
OP COSTS	\$4.99
LOADING	1 Dock Door



ADDRESS	237 Mayland Place NE
AVAILABLE SIZE	50,753 SF
CEILING HEIGHT	17'-20'
LEASE RATE	Market (Also for Sale)
OP COSTS	\$3.95
LOADING	4 Overhead Drive-in Doors



ADDRESS	4708 17 Avenue NW
AVAILABLE SIZE	12,600 SF
CEILING HEIGHT	16'
LEASE RATE	\$13.00
OP COSTS	\$3.50
LOADING	2 Drive-in Doors



ADDRESS	2712 37 Avenue NE
AVAILABLE SIZE	9,526 SF
CEILING HEIGHT	20'5"
LEASE RATE	Below Market
OP COSTS	\$4.50
LOADING	3 12'x12' & 1 16'x16' Drive-in Doors



ADDRESS	4708 17 Avenue NW
AVAILABLE SIZE	12,600 SF
CEILING HEIGHT	16'
LEASE RATE	\$13.00
OP COSTS	\$3.50
LOADING	2 Drive-in Doors



ADDRESS	1816 25 Avenue NE
AVAILABLE SIZE	7,832 SF
CEILING HEIGHT	22'
LEASE RATE	Market
OP COSTS	\$3.65
LOADING	1 Drive-in Door



ADDRESS	2010 30 Avenue NE
AVAILABLE SIZE	5,612 SF
CEILING HEIGHT	14'
LEASE RATE	\$12.00
OP COSTS	\$5.89
LOADING	1 Dock Door

For Lease or Sublease

Industrial Properties

Fall Review 2017

Current Listings



ADDRESS	2015 32 Avenue NE
AVAILABLE SIZE	5,612 SF; 2,806 SF; & 5,612 SF
CEILING HEIGHT	TBV; 15'; & 14'
LEASE RATE	Market; \$12.00; & Market
OP COSTS	\$5.89
LOADING	2 Docks; 1 Dock; & 1 Drive-in + 1 Dock



ADDRESS	1245 34 Avenue NE
AVAILABLE SIZE	4,608 SF; 6,857 SF
CEILING HEIGHT	22'
LEASE RATE	Market; \$12.00
OP COSTS	\$5.79
LOADING	3 Loading Docks



ADDRESS	3850 19 Street NE
AVAILABLE SIZE	3,480 SF
CEILING HEIGHT	20'
LEASE RATE	Market
OP COSTS	\$4.80
LOADING	1 14'x14' Drive-in Door



ADDRESS	1112 40 Avenue NE
AVAILABLE SIZE	3,000 SF
CEILING HEIGHT	17'8"
LEASE RATE	\$10.50
OP COSTS	TBV
LOADING	1 Drive-in Door



ADDRESS	4734 14 Street NE
AVAILABLE SIZE	2,997 SF
CEILING HEIGHT	18'
LEASE RATE	\$10.50
OP COSTS	\$5.25
LOADING	1 Drive-in Door



ADDRESS	4711 13 Street NE
AVAILABLE SIZE	2,700 SF
CEILING HEIGHT	18'
LEASE RATE	\$12.00
OP COSTS	\$4.50
LOADING	1 12'x14' Drive-in Door



ADDRESS	1936 27 Avenue NE
AVAILABLE SIZE	2,400 SF
CEILING HEIGHT	16'
LEASE RATE	Market
OP COSTS	\$4.34
LOADING	1 12'x14' Drive-in Door



ADDRESS	2115 30 Avenue NE
AVAILABLE SIZE	1,600 SF
CEILING HEIGHT	TBV
LEASE RATE	\$10.00
OP COSTS	\$6.50 Including Utilities
LOADING	-



ADDRESS	235145 Wrangler Dr SE
AVAILABLE SIZE	300 SF Office; 1,500-5,000 SF Yard
CEILING HEIGHT	TBV
LEASE RATE	\$1,650.00/month + GST
OP COSTS	-
LOADING	N/A

For Sale

Industrial Properties

Fall Review 2017

Current Listings



ADDRESS	3223 10 Street SE
AVAILABLE SIZE	63,800 SF
CEILING HEIGHT	16'-24'
SALE PRICE	\$7,500,000
POWER	400 amp, 3 Phase
LOADING	13 Dock Doors, 1 Ramp Drive-in Door



ADDRESS	3309 9 Street SE
AVAILABLE SIZE	29,760 SF
CEILING HEIGHT	13'-14'
SALE PRICE	\$4,950,000
POWER	400 amp, 120/208 volts
LOADING	2 8'x10' Dock Doors



ADDRESS	6423 35 Street SE
AVAILABLE SIZE	27,600 SF
CEILING HEIGHT	13'-16'10"
SALE PRICE	\$3,995,000 (\$145/SF)
POWER	400 amp, 600 volts
LOADING	2 Dock Doors, 1 Drive-in Door



ADDRESS	6140 44 Street SE
AVAILABLE SIZE	10,994 SF
CEILING HEIGHT	26'
SALE PRICE	\$2,200,000 (\$200/SF)
POWER	400 amp, 600 volts
LOADING	1 Dock with Leveler, 2 Drive-in Doors



ADDRESS	1818 35 Street SE
AVAILABLE SIZE	5,040 SF
CEILING HEIGHT	14'
SALE PRICE	\$1,600,000
POWER	TBV
LOADING	4 Drive-in Doors, 1 Drive-through



ADDRESS	141 Commercial Drive SW
AVAILABLE SIZE	3,499 SF
CEILING HEIGHT	24'
SALE PRICE	\$849,000
POWER	100 amp
LOADING	1 12'x14' Drive-in Door



ADDRESS	10 Wrangler Place SE
AVAILABLE SIZE	3,000 SF
CEILING HEIGHT	20'
SALE PRICE	\$639,000
POWER	100 amps
LOADING	1 Dock Door



ADDRESS	110 Commercial Drive
AVAILABLE SIZE	2,500 SF per Unit
CEILING HEIGHT	24'
SALE PRICE	\$595,000/Unit
POWER	100 amps, 120/208 volts, 3 Phase
LOADING	1 12'x14' Drive-in Door per Unit



ADDRESS	11055 50 Street SE
AVAILABLE SIZE	2,069 SF
CEILING HEIGHT	20'
SALE PRICE	\$499,000
POWER	100 amp
LOADING	1 12'x14' Drive-in Door



ADDRESS	240023 Frontier Crescent SE
AVAILABLE SIZE	1,750 SF per Unit
CEILING HEIGHT	18'-20'
SALE PRICE	\$340,000/Unit
POWER	TBV
LOADING	1 Drive-in Door per Unit

For Sale

Industrial & Office Properties



ADDRESS	2135 32 Avenue NE
AVAILABLE SIZE	Ranging from 2,806 SF - 8,487 SF
CEILING HEIGHT	14'
SALE PRICE	Market - Prices Start from \$245/SF
POWER	TBV
LOADING	Drive-in Doors on Most Bays



ADDRESS	757 57 Avenue NE
AVAILABLE SIZE	5,443 SF
CEILING HEIGHT	TBV
SALE PRICE	Market
POWER	TBV
LOADING	N/A



ADDRESS	3961 52 Avenue NE
AVAILABLE SIZE	2,480 SF
CEILING HEIGHT	24'
SALE PRICE	\$590,000
POWER	200 amp, 600 volt
LOADING	1 8'x8' Drive-in Door



ADDRESS	261216 Wagon Wheel Way
AVAILABLE SIZE	14,000 SF Each (Proposed)
CEILING HEIGHT	TBV
SALE PRICE	Market
POWER	TBV
LOADING	2 - 4 Drive-in Doors



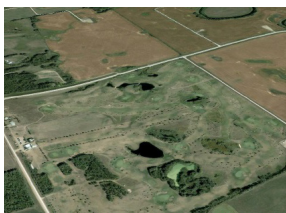
ADDRESS	3515 32 Street NE
AVAILABLE SIZE	2,729 SF
CEILING HEIGHT	TBV
SALE PRICE	\$690,000
POWER	200 amp
LOADING	1 Drive-in Door

For Sale, Design Build or Lease

Land



ADDRESS	Highway 566 & Range Road 291
LAND SIZE	465 acres
DISTRICT	Rocky View
SALE PRICE	Market
PROPERTY TAX	TBV
ZONING	RF (Ranch and Farm District)



ADDRESS	Eckville Recreational Land
LAND SIZE	153.24 acres
DISTRICT	Eckville
SALE PRICE	Market
PROPERTY TAX	Market
ZONING	Recreational



ADDRESS	Highway 27 & Highway 2A
LAND SIZE	150 acres
DISTRICT	Olds
SALE PRICE	\$4,488,000
PROPERTY TAX	TBV
ZONING	Urban Reserve District



ADDRESS	Turner Valley Development Lands
LAND SIZE	126.74 acres
DISTRICT	Turner Valley
SALE PRICE	Parcel 1 \$1,957,500.00 Parcel 2 \$2,542,500.00
PROPERTY TAX	TBV
ZONING	N/A



ADDRESS	Highway 2 & Highway 27
LAND SIZE	126 acres
DISTRICT	Mountain View County (near Olds)
SALE PRICE	\$4,750,000
PROPERTY TAX	TBV
ZONING	Urban Reserve District



ADDRESS	2705R 84 Street NE
LAND SIZE	11.96 acres
DISTRICT	NE
SALE PRICE	\$1,377,700
PROPERTY TAX	TBV
ZONING	S-FUD (Future Urban Development)



ADDRESS	600 Griffin Road East
LAND SIZE	7.88 acres
DISTRICT	Cochrane
SALE PRICE	\$3,995,000
PROPERTY TAX	TBV
ZONING	M-BP (Business Park)



ADDRESS	4403A 67A Avenue
LAND SIZE	4.58 acres & 2.2 acres
DISTRICT	Olds
SALE PRICE	\$999,500 & \$695,000
PROPERTY TAX	TBV
ZONING	R-3 (Medium Density Residential)



ADDRESS	101 & 109 High Plains Place
LAND SIZE	2.94 acres & 2.26 acres
DISTRICT	Rockyview County
SALE PRICE	\$1,617,000 & 1,243,000
PROPERTY TAX	\$15,154 & \$10,671
ZONING	DC-99 Industrial



ADDRESS	53 Industry Way
LAND SIZE	2.0 acres
DISTRICT	East Shepard Industrial Park
LEASE RATE	\$3,500/acre per Month
PROPERTY TAX	TBV
ZONING	I-G



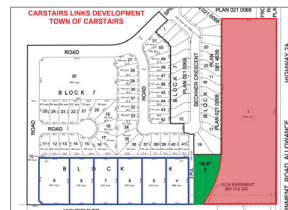
ADDRESS	Lakewood Meadows Community
LAND SIZE	1.94 acres
DISTRICT	Strathmore
SALE PRICE	\$900,000
PROPERTY TAX	TBV
ZONING	R3



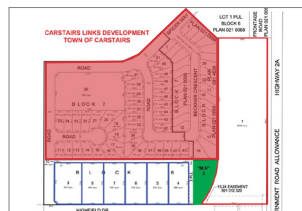
ADDRESS	717 57 Avenue NE
LAND SIZE	1.55 acres
DISTRICT	Deerfoot Business Centre
SALE PRICE	Market
PROPERTY TAX	\$31,117.94
ZONING	I-B (Industrial Business)



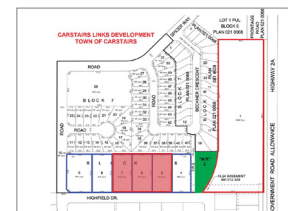
ADDRESS	15303 Bannister Road SE
LAND SIZE	0.23 acres
DISTRICT	Bannister Road
SALE PRICE	\$869,000
PROPERTY TAX	TBV
ZONING	DC



ADDRESS	Highway Commercial Carstairs Links
LAND SIZE	7.01 acres
DISTRICT	Carstairs
SALE PRICE	\$2,450,000
PROPERTY TAX	TBV
ZONING	Highway Commercial



ADDRESS	Residential Lots Carstairs Links
LAND SIZE	40 Lots
DISTRICT	Carstairs
SALE PRICE	\$3,000,000
PROPERTY TAX	TBV
ZONING	Residential Lots



ADDRESS	Highfield Drive Carstairs Links
LAND SIZE	3 Lots (0.77 acres each)
DISTRICT	Carstairs
SALE PRICE	\$169,000 each
PROPERTY TAX	\$219,480
ZONING	I-1 (Light Industrial)

For Sale, Lease or Sublease

Office Properties

Fall Review 2017

Current Listings



ADDRESS	112 28 Street SE
AVAILABLE SIZE	26,644 SF
NET LEASE/PRICE	Market
OPERATING COST	\$11.61
PARKING	Ample Parking



ADDRESS	110 Commercial Drive
AVAILABLE SIZE	25,000 SF
NET LEASE/PRICE	\$595,000/Unit
OPERATING COST	N/A
PARKING	Ample Double-Row Parking



ADDRESS	1530 27 Avenue SE
AVAILABLE SIZE	19,943 SF
NET LEASE/PRICE	Market
OPERATING COST	\$6.59
PARKING	29 Total Parking Stalls



ADDRESS	757 57 Avenue NE
AVAILABLE SIZE	5,443 SF
NET LEASE/PRICE	Market
OPERATING COST	\$30,876 (2017 Taxes)
PARKING	Ample Double Row Parking



ADDRESS	3633 8 Street SE
AVAILABLE SIZE	12,577 SF
NET LEASE/PRICE	Market
OPERATING COST	\$4.68
PARKING	Abundant



ADDRESS	1045 McTavish Road NE
AVAILABLE SIZE	1,000 SF
NET LEASE/PRICE	\$13.00
OPERATING COST	\$4.00
PARKING	Random



ADDRESS	5810 2 Street SW
AVAILABLE SIZE	1,287 - 1,665 SF
NET LEASE/PRICE	\$13.00
OPERATING COST	\$11.00
PARKING	1 stall per 560 SF



ADDRESS	141 Commercial Drive SW
AVAILABLE SIZE	3,499 SF
NET LEASE/PRICE	\$849,900
OPERATING COST	\$6,000 (Yearly Taxes)
PARKING	Ample Double Row Parking



ADDRESS	833 34 Avenue SE
AVAILABLE SIZE	4,916 SF
NET LEASE/PRICE	Market
OPERATING COST	\$4.68
PARKING	Ample



ADDRESS	630 1 Street W, Cochrane
AVAILABLE SIZE	2,056 SF
NET LEASE/PRICE	\$38/SF Gross Rent
OPERATING COST	Included in Rent
PARKING	3 Assigned Stalls



ADDRESS	4511 Glenmore Trail SE
AVAILABLE SIZE	Units ranging from 1,585-4,020 SF
NET LEASE/PRICE	Market
OPERATING COST	\$6.95 inclusive of utilities
PARKING	Random



ADDRESS	1112 40 Avenue NE
AVAILABLE SIZE	2,820 SF
NET LEASE/PRICE	Market
OPERATING COST	\$6.50 inclusive of utilities
PARKING	5 Assigned Stalls



ADDRESS	2816 21 Street NE
AVAILABLE SIZE	2,572 SF
NET LEASE/PRICE	Market
OPERATING COST	\$8.44
PARKING	Random

For Sale, Lease or Sublease

Retail Properties

Fall Review 2017

Current Listings



ADDRESS **300 Merganser Drive W**
NEW "Pad Lease or Built to Suit"



ADDRESS **3120 27 Street NE**
AVAILABLE SIZE **16,344 SF**
NET LEASE/PRICE **Market**
OPERATING COST **\$6.86**
PARKING **100+ Customer Parking & 20+ Staff Parking**



ADDRESS **239 3 Avenue, Strathmore AB**
AVAILABLE SIZE **4,230 SF**
NET LEASE/PRICE **\$695,000**
OPERATING COST **\$5,952.07 (2017 Taxes)**
PARKING **TBV**



ADDRESS **2115 30 Avenue NE**
AVAILABLE SIZE **1,600 SF**
NET LEASE/PRICE **\$10.00**
OPERATING COST **\$6.50 inclusive of utilities**
PARKING **3 Stalls**



ADDRESS **624 8 Avenue SW**
AVAILABLE SIZE **10,662 SF**
NET LEASE/PRICE **\$3,499,000**
OPERATING COST **TBV**
PARKING **8 Total**

Key Terms

Absorption (Net)

The change in occupied space in a given time period.

Available Square Footage

Net rentable area considered available for lease; includes Buildings under construction and to be completed within 6 months.

Average Asking Rental Rate

Rental rate as quoted from each building's owner/management company. For office space, a full service rate was requested; for retail, a triple net rate requested; for industrial, a NN basis.

Building Class

Class A Product is office space of steel and concrete construction, built after 1980, quality tenants, excellent amenities & premium rates. Class B product is office space built after 1980, fair to good finishes & wide range of tenants.

Direct Vacancy

Space currently available for lease directly with the landlord or building owner.

References

TD Economics - Provincial Economic Forecast

Statistics Canada

CoStar

Commercial Edge

RBC - Provincial Outlook

Alberta Oil and Gas

CDC

Calgary Economic Development

CIBC

Altus Group

Market Size

Includes all existing and under construction office buildings (office, office condo, office loft, office medical, all classes and all sizes, both multi-tenant and single-tenant, including owner-occupied buildings) within each market.

Overall Vacancy

All physically unoccupied lease space, either direct or sub-lease.

Sale Price

The total dollar amount paid for a particular property at a particular point in time.

SF/PSF

Square foot/per square foot, used as a unit of measurement.

Sublease

Arrangement in which a tenant leases rental property to another, and the tenant becomes the landlord to the subtenant.

Sublease Space

Total square footage being marketed for lease by the tenant.

Sublease Vacancy

Space currently available in the market for sublease with an existing tenant within a building acting as the landlord.

2017

Fall Market Report

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