

COMMERCIAL REAL ESTATE INVESTMENT ANALYSIS

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“Signs of recovery illuminate Calgary’s commercial real estate investment market. An increase of 24% in total dollar volume pushed Calgary’s real estate acquisitions to more than \$1 billion during the first six months of 2017, compared to just over \$827 million at the same point in 2016.”



David Wallach, CCIM, President & Broker
Barclay Street Real Estate

DURING THE FIRST HALF OF 2017, RAYS OF LIGHT CONTINUED BREAKING THROUGH THE CLOUDS CAST BY A NEARLY THREE-YEAR LONG RECESSION. THOUGH THE ALBERTA ECONOMY GENERALLY CONTINUED MOVING AT A SLOWED PACE, A FEW KEY SECTORS EXPANDED AND SEVERAL LARGE FINANCIAL INSTITUTIONS MAINTAINED THEIR FORECASTS OF AN OVERALL RECOVERY THIS YEAR.

The Calgary market saw ongoing interest from investors that began during the third quarter of 2016. On a year-over-year basis, Calgary saw a substantial uptick in CRE investment which was most evident in the commercial Office and Residential Land asset classes.

In comparison to the first half of 2016 when \$827 million transacted across the Office, Retail, Industrial, Multi-Residential and ICI/Residential land asset classes, approximately \$1.03 billion was invested to June 30th, 2017. Early in the year, Slate Properties

finalized its purchase of a dozen office properties from Dream Office REIT for more than \$200 million. Additionally, there was renewed REIT activity with Toronto-based Summit Industrial Income REIT purchasing a light industrial property. While these transactions represent outliers in terms of price and size/class of asset changing hands this quarter, they also represent a continuation from the latter part of 2016, wherein activity among larger and more notable properties returned to the Calgary market.

Several significant shifts in investor focus were noted: as mentioned earlier, activity in the commercial office asset class was very strong, with the number of sales doubling and overall dollar volume nearly ten times the volume seen at mid-year 2016. The Industrial, Multi-Residential and Residential Land asset classes also saw increased sales, with Residential Land seeing an overall doubling of dollar volume. Notably, Retail

	January – June 2016	January – June 2017	Year-Over-Year Change
Total Dollar Volume	\$827,284,029	\$1,025,206,203	\$197,922,174
Volume Excluding Residential Land	\$748,142,467	\$850,644,139	\$102,501,672
Residential Land Only	\$79,141,562	\$174,562,064	\$95,420,502



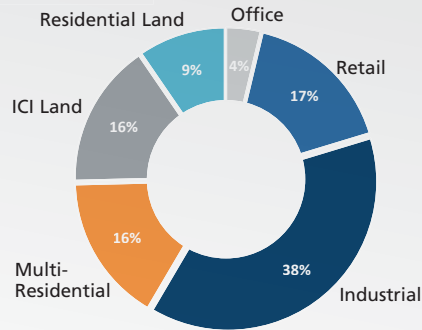
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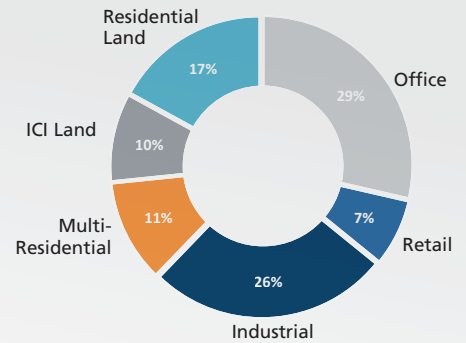


investment decreased to 77% of levels seen at mid-year 2016, which is reflective of no big-ticket purchases of \$10 million and greater completed by the end of the second quarter. Barclay Street tracks activity level (the number of transactions) by property price range, which yields data showing investor focus was more balanced than seen in the previous two years; a growing proportion of transactions are taking place in the \$3 million to \$5 million and \$5 million to \$10 million price ranges.

MID-YEAR 2016 COMMERCIAL REAL ESTATE INVESTMENT SALES OF \$1 MILLION AND GREATER



MID-YEAR 2017 COMMERCIAL REAL ESTATE INVESTMENT SALES OF \$1 MILLION AND GREATER



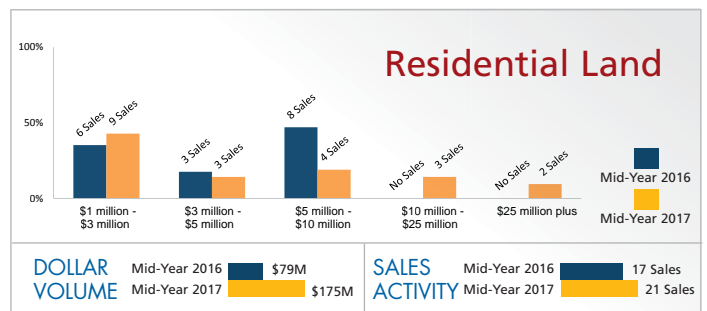
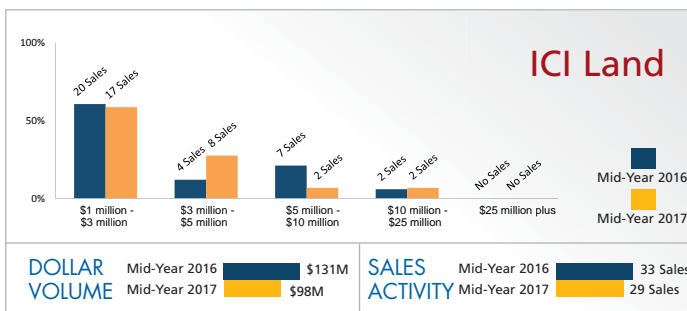
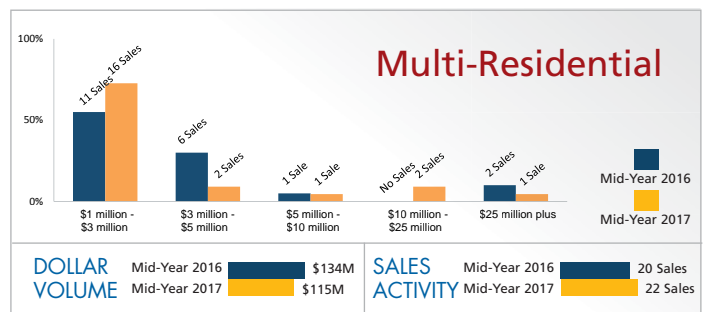
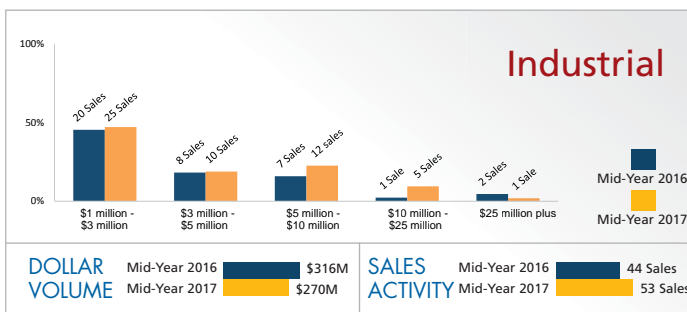
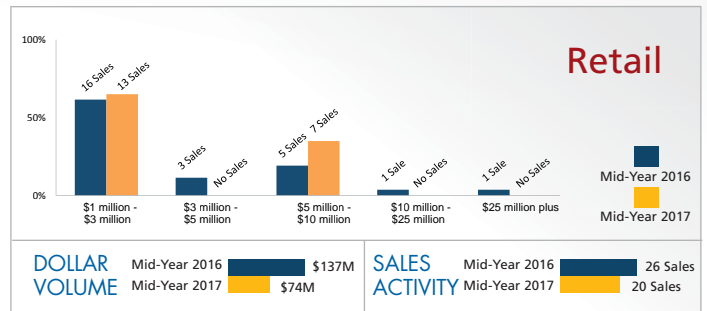
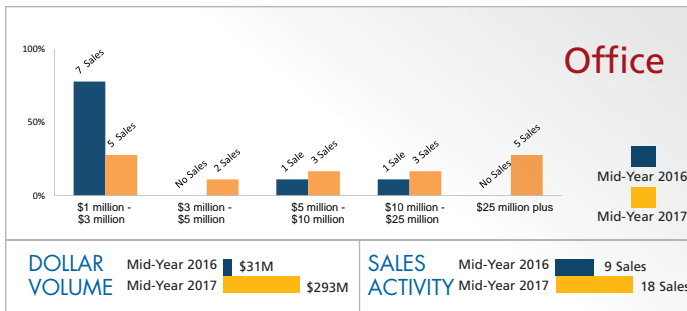
TOTAL DOLLAR VOLUME



TOTAL SALES ACTIVITY



MID-YEAR 2017 VS. MID-YEAR 2016 TRANSACTION ACTIVITY DISTRIBUTION, PERCENTAGE OF TOTAL SALES



Office Investment

THE OFFICE INVESTMENT MARKET IN CALGARY SAW 18 OFFICE TRANSACTIONS EQUAL TO OR GREATER THAN \$1 MILLION, TOTALLING MORE THAN \$293 MILLION DURING THE FIRST HALF OF 2017.

OFFICE TRANSACTIONS OVER \$1 MILLION (TOTAL ANNUAL)

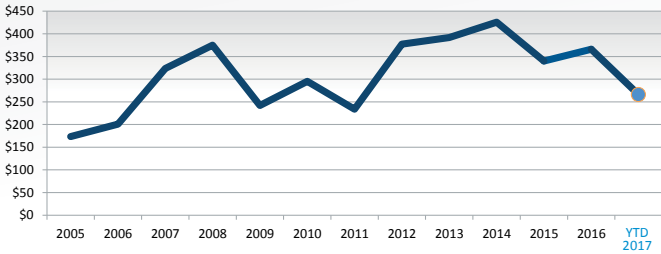
	2012	2013	2014	2015	2016	YTD 2017
Total \$ Volume	\$1,454,441,564	\$1,067,696,088	\$712,276,508	\$223,984,241	\$891,683,036	\$293,070,000
# of Transactions	44	34	24	19	19	18
Avg. Bldg. Price per Square Foot	\$377	\$392	\$426	\$340	\$366	\$266
Average Price Per Transaction	\$33,055,490	\$34,178,465	\$29,678,188	\$11,788,644	\$46,930,686	\$16,281,667
Average Building Size (sf)	87,603	82,556	69,722	44,035	167,501	113,504

Source: RealNet.ca

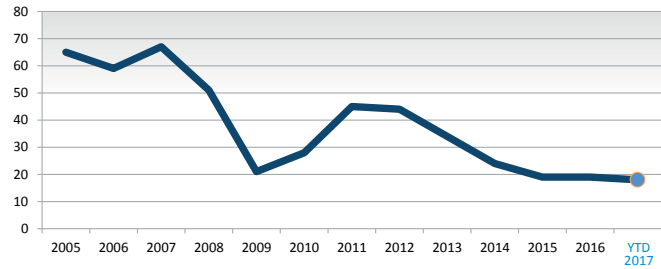
This represents 29% of investment across all asset classes. Calgary saw an ongoing influx of institutional investor cash in the first half of the year and investor focus was trained primarily on Class A and B properties. This was best demonstrated by the aforementioned Dream portfolio purchase by Slate Properties and by a two-building divestiture by ARTIS REIT, in which Ford Tower and Alpine Building were sold to Q4 Financial Group.

In the absence of the above-noted transactions, investor interest was generally focused on finding deals among lesser-quality assets. Among the primarily B Class properties changing hands were several C Class assets. Only one office condominium transacted during this period, whereas three sold during the first half of 2016. The sole office condo purchase to mid-year 2017 was in an A Class development in the upper-scale neighbourhood of Chaparral and the difference in quality was reflected in the price per square foot. The office condo transacted at \$562 per square foot (p/sf) while office buildings went for \$249 p/sf. Year to date pricing per square foot marks a notable decrease from \$376 seen at mid-year 2016 and is indicative of the impact office condominium sales – or lack thereof - have on the market.

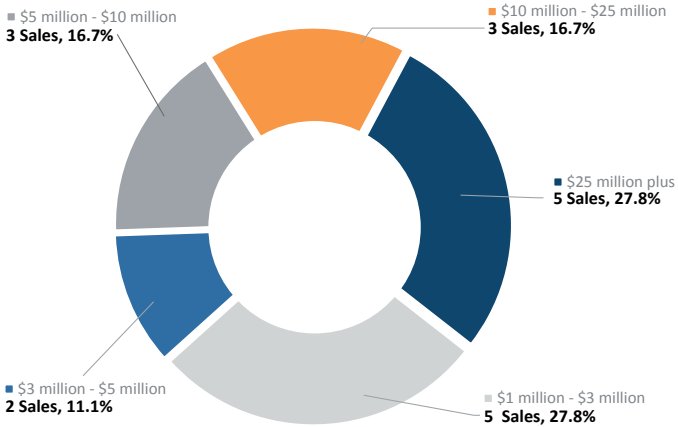
AVERAGE PRICE PER SQUARE FOOT



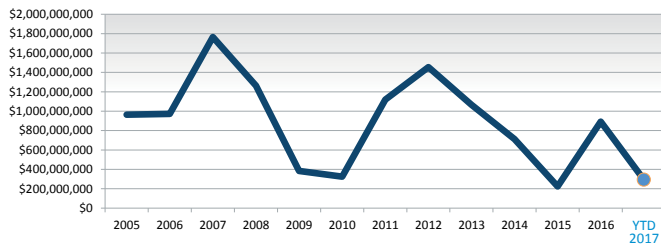
NUMBER OF TRANSACTIONS



MID-YEAR 2017 OFFICE INVESTMENT ACTIVITY DISTRIBUTION



TOTAL \$ VOLUME



Retail Investment

CALGARY'S RETAIL ASSET CLASS DEMONSTRATED LESS ROBUSTNESS AS AN INVESTMENT ASSET CLASS THAN DURING THE FIRST HALF OF 2016, DECREASING TO \$74 MILLION FROM \$137 MILLION AT THE MID-POINT OF LAST YEAR.

This is due in large part to the absence of big-ticket transactions of \$10 million or greater, whereas two sales took place in this price category had taken place by June 30th 2016. The largest purchase to mid-year 2017 was Roxboro River Shoppes, which was acquired by Suri Holdings, Inc. for \$9 million.

Activity and dollar volume in Calgary's retail asset class were approximately three-quarters of mid-year 2016 totals with 20 transactions completed. The majority of activity continued to focus on retail properties priced in the \$1 million to \$3 million dollar range though we

RETAIL TRANSACTIONS OVER \$1 MILLION (TOTAL ANNUAL)

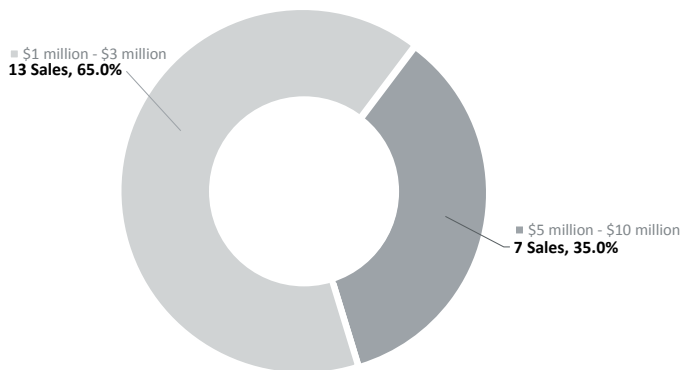
	2012	2013	2014	2015	2016	YTD 2017
Total \$ Volume	\$485,217,641	\$249,741,704	\$392,663,729	\$222,026,567	\$449,222,745	\$74,420,000
# of Transactions	41	40	58	43	52	20
Avg. Bldg. Price per Square Foot	\$278	\$343	\$371	\$384	\$399	\$417
Average Price Per Transaction	\$11,834,577	\$6,243,543	\$6,770,064	\$5,163,409	\$8,638,899	\$3,721,000
Average Building Size (sf)	42,512	18,192	18,557	13,442	28,192	9,398

Source: RealNet.ca

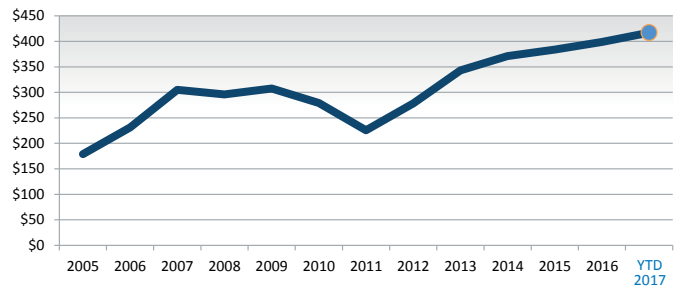
also observed an increased appetite for higher-priced product in the \$5 to \$10 million dollar range. Overall, price per square foot (psf) continued a multi-year upward trend, boosted by two properties selling for more than \$700 psf. Notable in this regard were 1303 Centre Street NW (\$721 psf) and 55 McKenzie Towne Boulevard (\$921 psf) - both Scotiabank locations.

Positive market forces in Calgary's suburban markets have contributed significantly to the increase in price per square foot. Of note, retail vacancy rates in the suburban markets continued to decrease. These submarkets continued to draw significant interest from high-profile retailers such as Saks off 5th, which will be arriving at CF Market Mall in the Calgary's North East quadrant. In the southeast, a Nordstrom Rack location is anticipated at Deerfoot Meadows in spring, 2018. Meanwhile, new stores from existing chains continue to open; Sporting Life and Zara are opening new stores at CF Market Mall and Sport Chek will expand its current space there.

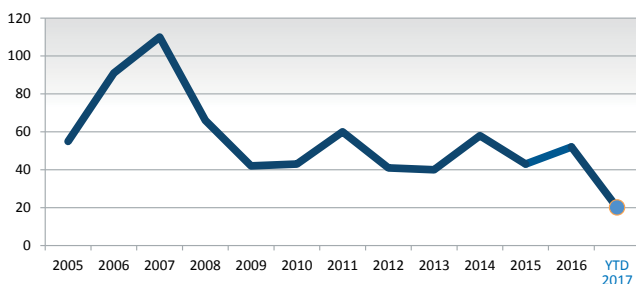
MID-YEAR 2017 RETAIL INVESTMENT ACTIVITY DISTRIBUTION



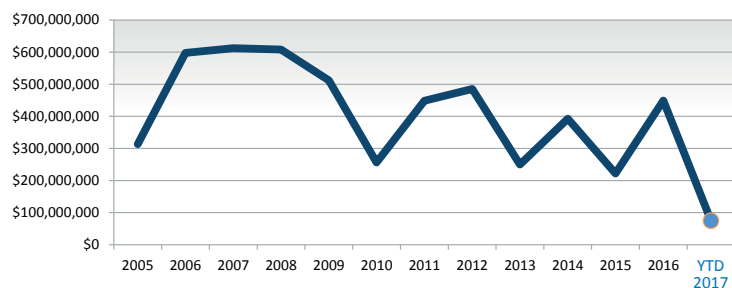
AVERAGE PRICE PER SQUARE FOOT



NUMBER OF TRANSACTIONS



TOTAL \$ VOLUME



For detailed Retail Leasing Analysis of the Calgary market go to barclaystreet.com/research

Industrial Investment

AT THE MID-POINT OF 2017, CALGARY'S INDUSTRIAL SALE MARKET SHOWED CONSIDERABLE SIGNS OF REJUVENATION. WHILE ON A DOLLAR VOLUME BASIS, CALGARY'S INDUSTRIAL ASSET CLASS POSTED A SMALL YEAR-OVER-YEAR DECREASE TO \$270 MILLION FROM \$316 MILLION AT THE SAME POINT LAST YEAR.

Dollar volume for the first half of 2016 was inflated by an \$83.4 million purchase by Canadian Tire Properties Inc. Even with that purchase, Barclay Street's analysis shows that activity was consistent among the five price ranges we set out. This trend was first observed at the mid-point of 2016 and marks a departure from investors' defensive tactic of buying properties with small price tags during 2015.

While market dynamics continued to place lease rates and property valuations in favour of prospective buyers, leasing activity and other signals increasingly appear to indicate the relative health of the industrial market. Optimistically, we believe the market is stabilizing and a slight downward trend in the vacancy rate appears to be on the horizon for the remainder of the year. As such, investor activity increased by 20% in comparison to mid-year 2016, with 53 transactions completed during the third quarter. The upward trend in activity brought a year-over increase in price per square foot to \$186 from \$136 one year prior, with significant contributors to this increase being the sales of 4411 Manitoba Road SE for the equivalent of \$412 p/sf and 5401 53rd Street NE for \$425 p/sf.

Boding well for the second half of the year, the overall vacancy rate in Calgary's industrial real estate market decreased to 7.7% in the

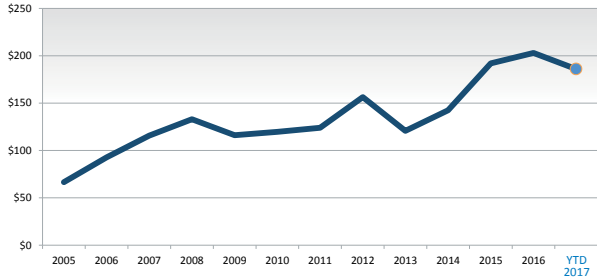
INDUSTRIAL TRANSACTIONS OVER \$1 MILLION (TOTAL ANNUAL)

	2012	2013	2014	2015	2016	YTD 2017
Total \$ Volume	\$380,328,379	\$641,773,697	\$614,294,285	\$322,786,141	\$491,665,051	\$270,232,539
# of Transactions	82	85	94	80	79	53
Average Price per Square Foot	\$156	\$121	\$142	\$192	\$203	\$186
Average Price	\$4,638,151	\$7,550,279	\$6,535,046	\$4,034,827	\$6,223,608	\$5,098,727
Average Building Size (sf)	30,408	62,530	47,389	26,580	43,941	36,520

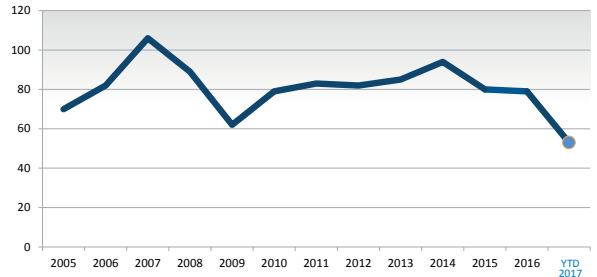
Source: RealNet.ca

second quarter. The positive absorption is the result of a number of notable leasing transactions this quarter, including ERV Parent's 70,000 square foot lease in Morguard's Portland Depot, Carrier Canada's 54,000 square foot lease in Investors Group's Great Plains development, and Windset Farms' 50,000 square foot lease in AIMCO's Stoney 3 building.

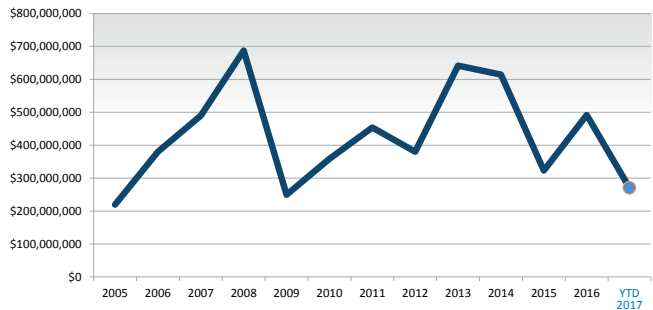
AVERAGE PRICE PER SQUARE FOOT



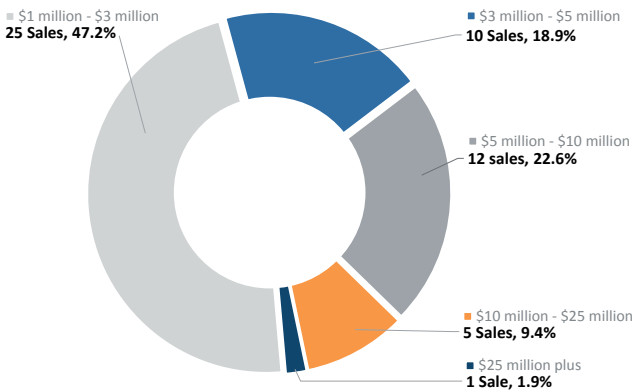
NUMBER OF TRANSACTIONS



TOTAL \$ VOLUME



MID-YEAR 2017 INDUSTRIAL INVESTMENT ACTIVITY DISTRIBUTION



Multi-Residential Investment

ACTIVITY ON THE PART OF INVESTORS IN CALGARY'S MULTI-RESIDENTIAL MARKET INCREASED SLIGHTLY ON A YEAR-OVER-YEAR BASIS.

The increase in the number of transactions however, did not translate into an uptick in dollar volume. Rather, a slight shift in focus toward lower-priced assets resulted in an approximate 14% decrease in dollar volume. We did note consistency in the broad variety of properties that become available and average size (number of units) as owners responded to pent-up demand. At mid-year 2017, the average size of a multi-residential property was 29 units versus 30 at the same time last year.

MULTI-RESIDENTIAL TRANSACTIONS OVER \$1 MILLION (TOTAL ANNUAL)

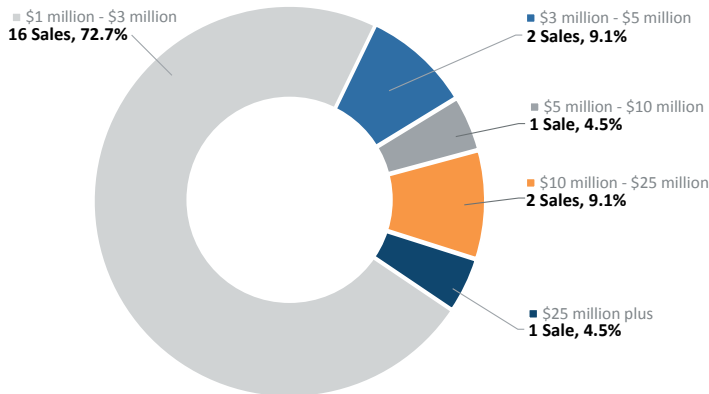
	2012	2013	2014	2015	2016	YTD 2017
Total \$ Volume	\$406,429,820	\$184,119,075	\$195,877,359	\$150,944,958	\$231,084,167	\$114,580,000
# of Transactions	38	43	59	30	33	22
Average Price per Unit	\$172,655	\$170,323	\$183,922	\$264,816	\$230,970	\$183,850
Average Price	\$10,695,522	\$4,281,839	\$3,319,955	\$5,031,499	\$7,002,551	\$5,208,182
Average Building Size (Units)	65	25	18	19	33	29

Source: RealNet.ca

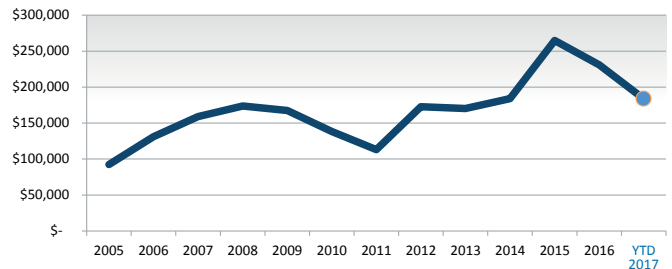
Over the first half of 2017, the most significant Multi-Residential transaction to take place was the sale of Parkview Village Apartments to Killam Properties. This property contains 204 units; substantially larger than Radisson Place Apartments – the next largest transaction – which comprises the 130 units.

Referring to the distribution pie chart below, Barclay Street's analysis shows that increased investor emphasis was placed on properties priced in the \$1 million to \$3 million dollar range at the expense of higher-priced assets. Continuing from 2016, we still see a more diversified appetite among investors for properties across the five price ranges we've defined than during 2015 when investors focused almost exclusively on properties at the low end of the price scale. That said, year-to-date average price per unit decreased to approximately \$114,600 from \$133,600 at mid-year 2016.

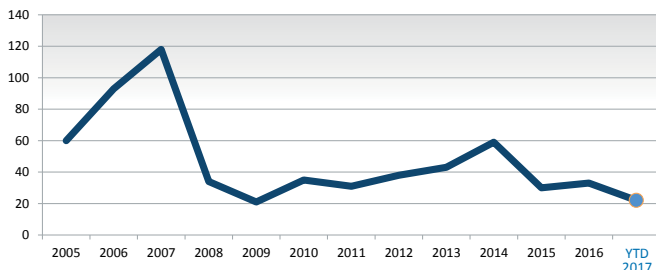
MID-YEAR 2017 MULTI-RESIDENTIAL INVESTMENT ACTIVITY DISTRIBUTION



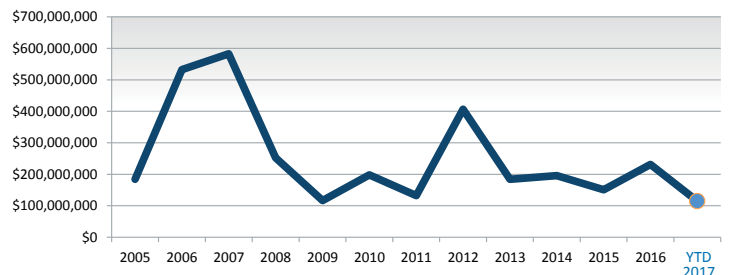
AVERAGE PRICE PER UNIT



NUMBER OF TRANSACTIONS



TOTAL \$ VOLUME



ICI & Residential Land Investment

THE ICI LAND (INDUSTRIAL, COMMERCIAL AND INVESTMENT) SECTOR REPRESENTED THE MINOR ASPECT OF LAND INVESTMENT SALES TO MID-YEAR 2017, CONTRIBUTING A LITTLE MORE THAN \$98 MILLION OF THE \$273 MILLION INVESTED IN THIS ASSET CLASS.

ICI+RESIDENTIAL LAND TRANSACTIONS OVER \$1 MILLION (TOTAL ANNUAL)

	2012	2013	2014	2015	2016	YTD 2017
Total \$ Volume	\$412,082,148	\$480,240,938	\$816,045,293	\$584,721,695	\$568,015,527	\$272,903,664
# of Transactions	60	42	149	84	122	50
Average Price per Acre	\$589,902	\$352,378	\$443,601	\$306,527	\$111,752	\$118,054
Average Price	\$6,868,036	\$5,520,011	\$5,479,154	\$6,849,377	\$4,901,424	\$5,851,784
Total Land Area (Acres)	699	1363	1840	1770	5083	2,312
Average Land Area (Acres)	12	16	12	21	34	41.49

Source: RealNet.ca

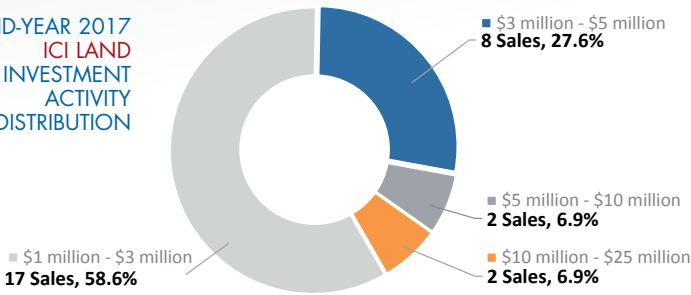
The average ICI transaction sat at \$3.4 million, which is down from \$3.96 million at mid-year 2016 and is largely the result of fewer mid-priced (\$5 million to \$10 million) assets changing hands and no transactions greater than \$25 million to June 30th.

In terms of investment activity, 29 transactions occurred during the first six months of the year in this category versus 33 one year

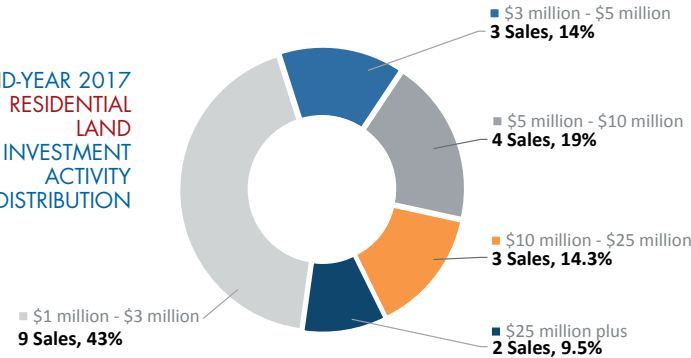
prior. The largest ICI Land transaction to end Q2 was the \$14.6 million dollar purchase of land at 314 - 328 12th Avenue SE & 321 - 327 11th Avenue SE by Calgary Municipal Land Corporation from Network Innovations, Inc. In this transaction, 1.57 acres was bought. Despite the reduced activity and overall dollar volume, price per acre in this land class stayed remarkably steady and posted a slight year-over-year decline to \$904,000/acre from just over \$916,000 at the close of Q2, 2016.

Residential Land sales, however, totalled more than \$174 million to the end of the second quarter and averaged \$8.3 million per transaction. Both metrics were boosted on a year-over-year basis by Hines' purchase of 1.4 acres in the Beltline – currently home of the Sam Livingston Building - for \$40.7 million. The site is earmarked as a future high-density residential play. Otherwise, sales in this asset class continued to be hampered by surplus inventory of multi-family product on the market as well as increasing servicing costs.

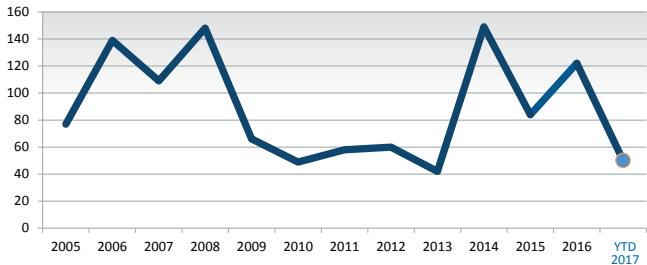
MID-YEAR 2017 ICI LAND INVESTMENT ACTIVITY DISTRIBUTION



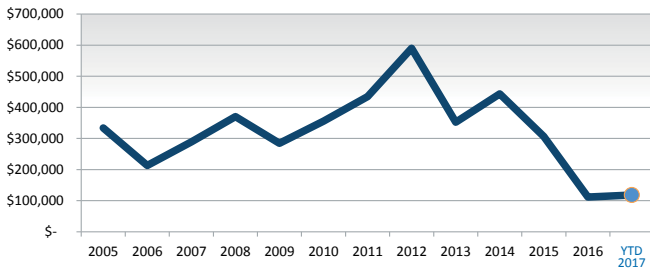
MID-YEAR 2017 RESIDENTIAL LAND INVESTMENT ACTIVITY DISTRIBUTION



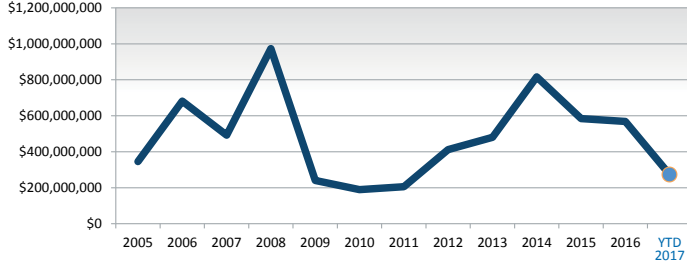
ICI+RESIDENTIAL NUMBER OF TRANSACTIONS



ICI+RESIDENTIAL AVERAGE PRICE PER ACRE



ICI+RESIDENTIAL TOTAL \$ VOLUME



← Speaking to investment activity, the ICI Land asset class saw a 24% increase in the number of transactions completed to mid-year 2017, with 21 sales completed. Dollar volume more than doubled on a year-over-year basis, largely due to the completion of two sales greater than \$25 million and three between \$10 million

and \$25 million. There were no sales in these price categories during the first half of 2016. This is best demonstrated in the Transaction Activity Distribution charts on page two but can also be seen in the distribution pie chart on the previous page. While the majority of sales occurred in the \$1 million to \$3 million dollar range, investors were active across all prices ranges.

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Barclay Street Real Estate Mid-year 2016 Analyses: Downtown, Beltline and Suburban Office Market, Retail Market and Industrial Market