

Calgary Commercial Real Estate Investment Insights

Market Analysis Mid-Year 2024

“Confidence in Calgary’s future and plentiful opportunities to participate in future growth, coupled with the Bank of Canada interest rate reductions, created near-record demand for commercial assets at mid-year.”



David Wallach
CCIM, Owner/Broker
Barclay Street Real Estate

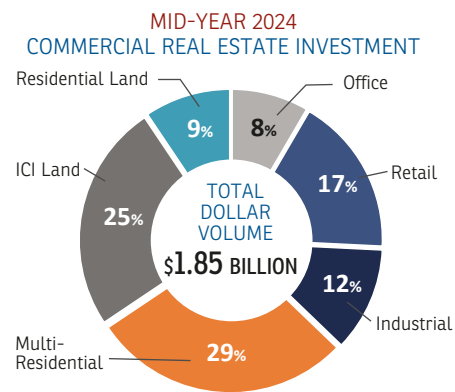
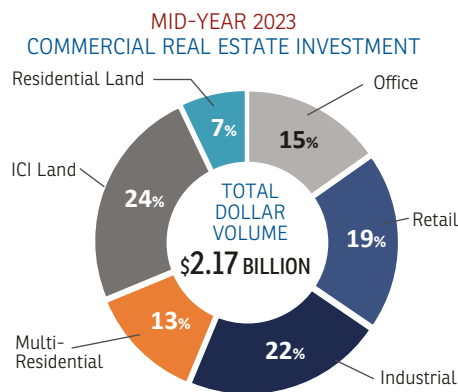
Investors’ interest in the Calgary market remained remarkably strong through the first half of 2024, during which 356 transactions closed for a total of approximately \$1.85 billion. Year-to-date investment is the third highest we have on record going back to 2013 and falls only behind the above-noted levels at June 30th, 2023 and the \$2.5 billion in dollar volume seen at June 30th, 2022 which was artificially inflated by the \$1.2 billion sale of The Bow.

	Mid-Year 2023	Mid-Year 2024	Y-O-Y Change
Office	\$330,702,459	\$155,620,890	(\$175,081,569)
Retail	\$418,660,743	\$321,179,280	(\$97,481,463)
Industrial	\$472,316,888	\$211,164,000	(\$261,152,888)
Multi-Residential	\$271,571,160	\$525,420,499	\$253,849,339
Land	\$524,402,334	\$462,528,393	(\$61,873,941)
Commercial Condominiums	\$153,801,795	\$173,956,665	\$20,154,870
Total Dollar Volume	\$2,171,455,379	\$1,849,869,727	(\$321,585,652)

After beginning the year with a bang, in which more than \$1.1 billion in transactions closed, investors took a slight breather during the second quarter. Despite reduced investment among office, retail

and industrial properties as well as land, more than \$700.5 million transacted during the second quarter and brought year-to-date investment to 85% of mid-year 2023 levels. Notable among the trends we’ve observed so far this year is the sustained and voracious appetite for multi-residential assets and the strength of the commercial condominium market, which is on-track for another record year of sales.

Of primary interest in the first half of 2024 were multi-residential properties, which saw dollar volume invested in this asset group nearly double (up 93%) over mid-year 2023 levels to more than \$525 million. Commercial condominiums were also in very high demand, posting investment of approximately \$174 million for a 13% y-o-y increase. At the other end of the spectrum, industrial property sales were down 55% at June 30th, due largely to the industrial market becoming over-priced as a result of the recent two-year construction boom and office property sales were down by 53% due to an absence of big-ticket property sales.

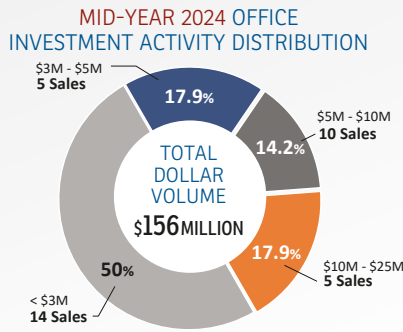


MID-YEAR 2024 MAJOR TRANSACTIONS

Property	Subdivision	Size	Sale Price	Unit Price	Vendor	Purchaser	
Office	645 7 Ave. SW (Encor Place)	Downtown	359,131 sf	\$21,500,000	\$60/sf	Cadillac Fairview	Soltron West GP Inc.
Office	407 2 St SW (Canada Place)	Downtown	196,768 sf	\$19,000,000	\$97/sf	HOOPP Realty Inc.	Caloff Properties Ltd.
Retail	500 Country Hills Blvd. NE (Country Hills Town Centre)	Country Hills Village	164,320 sf	\$83,750,000	\$510/sf	Country Hills Town Centre Holdings Inc.	ARI CHTV GP Inc.
Retail	711 4 St. SE (Hilton Garden Inn & Homewood Suites)	Downtown	-	\$57,482,400	-	2221469 Alberta Inc.	1000856103 Ontario Inc.
Industrial	2255 29 St. NE	Sunridge	426,791 sf	\$50,340,000	\$118/sf	Shoppers Realty Inc.	CP REIT Alberta Properties Ltd.
Industrial	2222 16 Ave. NE	South Airways	90,976 sf	\$17,075,000	\$188/sf	924643 Alberta Ltd.	2533142 Alberta Ltd.
Multi-family	Glenmore Gardens/Elata/Glenmore Heights	Palliser	704 Units	\$176,000,000	\$250,000/Suite	bclMC Realty Corp.	Boulevard Real Estate Equities Ltd.
Multi-family	141 & 181 Skyview Bay NE	Skyview Ranch	369 Units	\$103,050,000	\$279,268/Suite	D.R. Anderson Holdings Inc.	2592124 Alberta Ltd.
Land	3333 85 St. SW	Springbank	116.08 Acres	\$44,058,300	\$379,551/Acre	Burdett Properties Ltd.	2436647 Alberta Ltd.
Land	3612-16 Ave. SW	Rosscarrock	9.61 Acres	\$43,067,600	\$4,481,540/Acre	EMWS Holdings Ltd.	The City of Calgary
Commercial Condos	5075 Falconridge Blvd. NE	Westwinds	24,277 sf	\$14,400,000	\$593/sf	Falconridge Convention Centre Inc.	2589298 Alberta Ltd.
Commercial Condos	6004 Country Hills Blvd. NE (Sky Pointe Landing)	Skyview Ranch	10,084 sf	\$6,500,000	\$645/sf	Sky Pointe Landing Inc.	Kailash Land Holdings Inc.

Office Investment

Overall, 2024 office investment dollar volume in Calgary was down significantly on a year-over-year basis, falling by about half despite the number of completed transactions being essentially on-par.

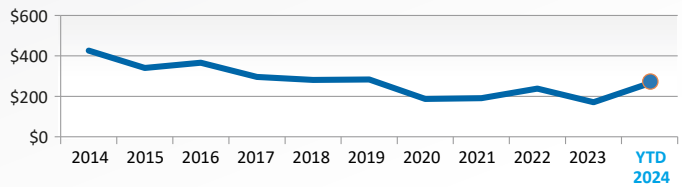


The absence of big-ticket office sales of \$25 million or greater through the first half of the year had a tremendous impact. Whereas three properties (Seton Professional Centre, Calgary Places I & II and 3636 Research Rd NW) sold for a collective \$180.4 million by June 30th, 2023, the largest transaction to close by mid-year 2024 was the \$21.5 million sale of 645 7 Ave SW.

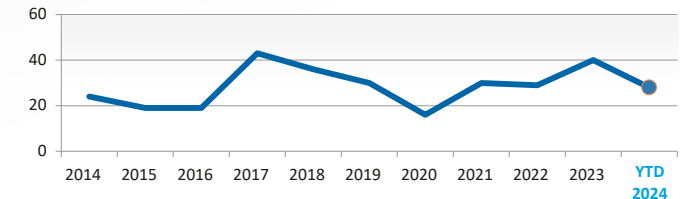
Suburban office locations were a substantial driver of office investment, comprising 22 of the 28 year-to-date transactions and totalling approximately \$83 million. These properties also continued to fetch significantly higher average prices per square foot than Downtown locations at \$315/sf versus \$80/sf.

Over the previous two years, the City of Calgary's *Downtown Development Incentive Program (DDIP)* has provided a boost to Downtown office sales and while the pool of properties suitable for

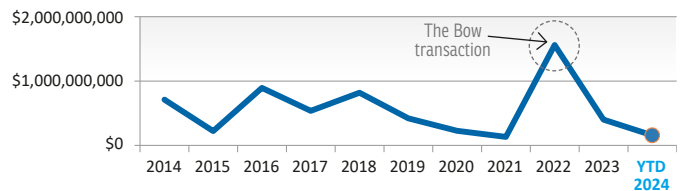
AVERAGE PRICE PER SQUARE FOOT



NUMBER OF TRANSACTIONS



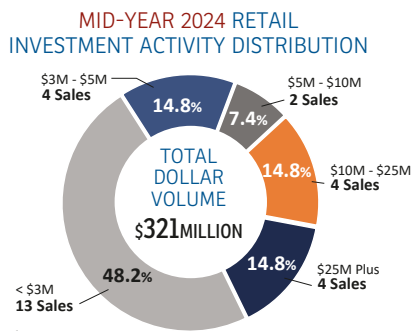
TOTAL \$ VOLUME



office-to-residential conversion shrunk considerably, several buildings remain suitable for repurposing. We anticipate that if a second round of funding under the DDIP banner is offered, a resurgence of interest in Downtown office properties will emerge.

Retail Investment

Dollar volume in Calgary's retail asset class decreased markedly on a year-over-year basis, with dollar volume down by more than \$97 million to \$321.2 million.

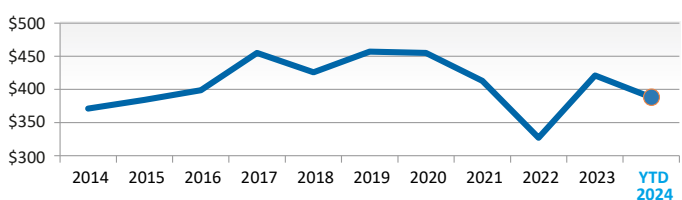


This large change was reflective of notably lessened investor activity, which reduced the number of big-ticket transactions closing above \$25 million accordingly. Of the 27 transactions concluded at June 30th, just four closed above \$25 million with the largest of those being the \$83.75 million purchase of Country Hills Town Centre.

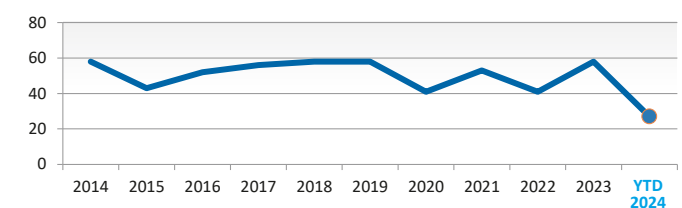
Though investors were active across all price ranges, this unexpectedly low activity among big-ticket items (\$25+ million) marked a return to a trend that began in the third quarter of 2017 and lasted through much of the Covid-19 pandemic, in which investors focused on mid-priced (\$5 million to ~\$20 million) property purchases.

Notably, the vast majority of retail activity took place in the first quarter of the year and accounted for just under \$200 million. By the end of Q1 '24, year-over-year investment in retail properties was up by approximately \$70 million but the April through June period was

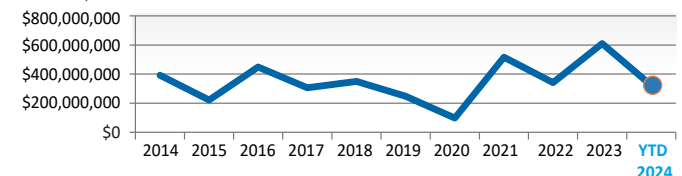
AVERAGE PRICE PER SQUARE FOOT



NUMBER OF TRANSACTIONS



TOTAL \$ VOLUME



decidedly quiet with just eight transactions totalling \$121.5 million closing.

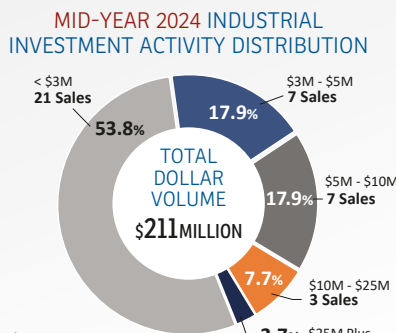
Industrial Investment

Demand for industrial properties decreased substantially on a year-over-year basis, with year-to-date transaction numbers falling to 39 from 54 at June 30th, 2023.

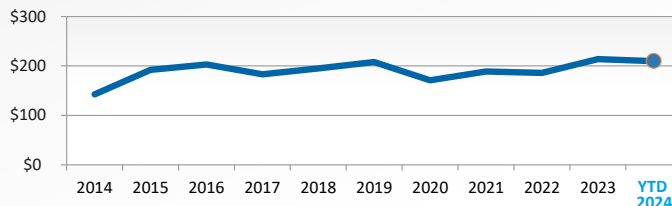
With the reduced sales came a 55% overall reduction in total dollar volume. Investment in industrial assets fell to a five-year low of \$211.2 million – one of the lowest in our records, roughly matching that seen at mid-points of 2015, 2019 and 2021.

Owner/users, as a group, accounted for approximately 80% of acquisitions and were most active among properties measuring 10,000-30,000 square feet. Notable among this group of investors were U-Haul Co., (Canada) Ltd. and ATCO Gas and Pipelines Ltd. who purchased vacant warehouses for future repurposing for \$14 million and \$15.5 million respectively, as well as 2533142 Alberta Ltd. who purchased 2222-16th Avenue NE for \$17.1 million. These three transactions were responsible for nearly one-quarter of industrial investment this period.

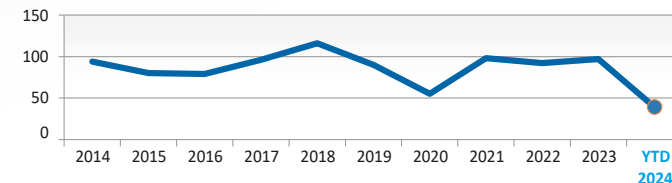
The downward trend we've observed can be tied to the Greater Calgary & Area (GCA) industrial leasing market showing ongoing signs of easing; overall vacancy continued to increase through the second quarter of 2024, quickly returning the market to historical averages.



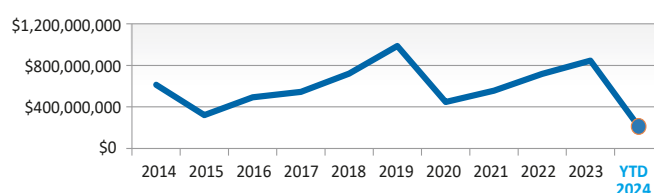
AVERAGE PRICE PER SQUARE FOOT



NUMBER OF TRANSACTIONS



TOTAL \$ VOLUME



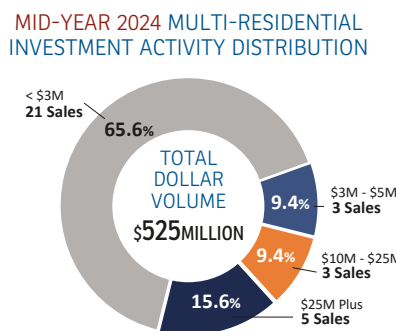
The GCA availability rate reached 5.7% and vacancy – space without a headlease in place – rose to 4.3% at June 30th, 2024.

Multi-Residential Investment

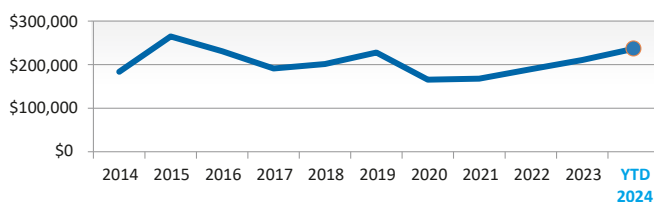
Investment activity in Calgary's Multi-Residential market to the mid-point of 2024 far exceeded that seen at June 30th, 2023, both in terms of completed transactions and total dollar volume.

This asset group experienced a near doubling (93% increase) year-over-year in total dollar volume invested on a 19% year-over-year bump in sales. Those additional transactions supported an all-time mid-year record for investment at \$525.4 million. This asset class saw 32 transactions close, including five big-ticket transactions of \$25 million or greater - three of which exceeded \$50 million.

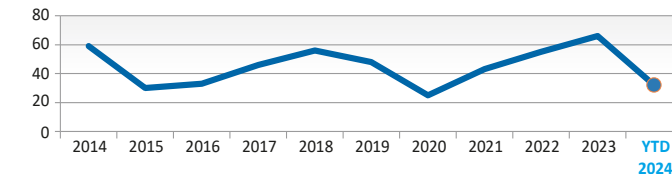
As noted in our previous edition, strong population growth has supported demand – and therefore higher rents – in Calgary since late 2022 and we've seen a coinciding increase in purchases of 100+ unit properties over the previous two-plus years. Through 2023, nine such properties sold – two of which were 300+ unit properties. To June 30th, 2024, five 100+ unit properties traded with three being ~300-unit and larger properties: The Level At Seton Circle, 141/181 Skyview Bay NE, and Glenmore Gardens & Elata & Glenmore Heights. The latter two



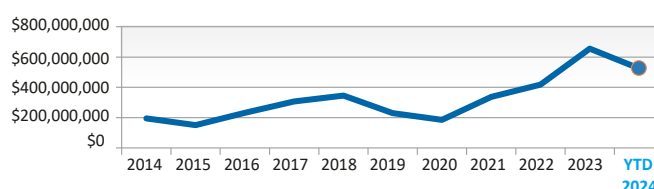
AVERAGE PRICE PER UNIT



NUMBER OF TRANSACTIONS



TOTAL \$ VOLUME



assets represented the largest sales of the year-to-date at \$103 million and \$176 million, respectively.

Land Investment

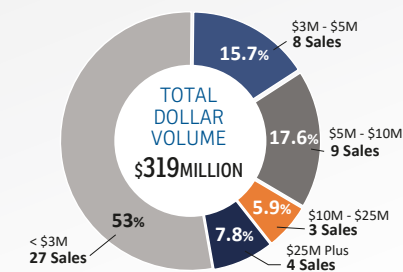
Land investment recorded a 12% year-over-year decrease in investment, posting a little less than \$463 million over 72 transactions.

At the mid-point of 2023, this asset type was the largest source of investment in the Calgary market, posting more than \$524.4 million in purchases. At June 30th, 2024, land was still a primary driver of overall commercial investment but came in second place.

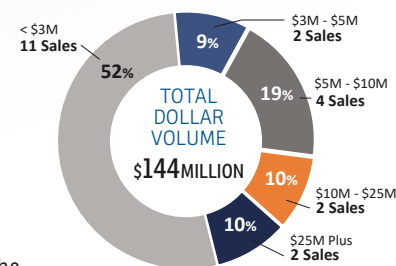
Within the land category, the ICI Land (Industrial, Commercial and Investment) sector was responsible for the overall year-over-year downswing noted above; sales fell to 51 from 70 and investment decreased by \$88,766,613 million. This land category however, continued to represent the majority of total land investment sales during the first half of 2024, contributing just under \$319 million of the total year-to-date dollar volume. The average ICI transaction sat at \$6.2 million; an increase of about \$400,000 per sale versus mid-year 2023.

Residential Land sales totalled a little more than \$144 million at June 30th, 2024 and averaged just under \$7 million per transaction. This land category posted a slight year-over-year increase in overall investment, despite slightly fewer transactions closing. Noteworthy in

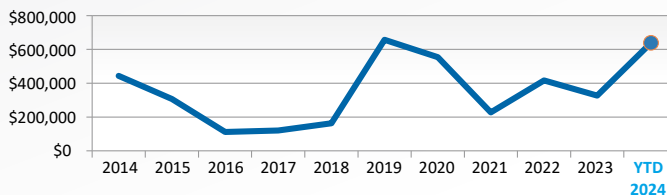
MID-YEAR 2024 ICI LAND INVESTMENT ACTIVITY DISTRIBUTION



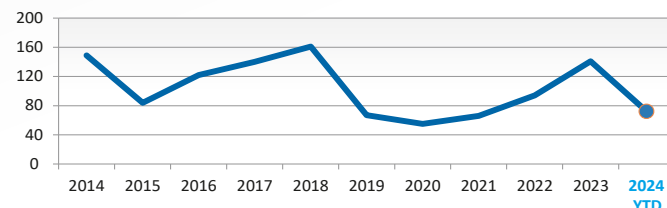
MID-YEAR 2024 RESIDENTIAL LAND INVESTMENT ACTIVITY DISTRIBUTION



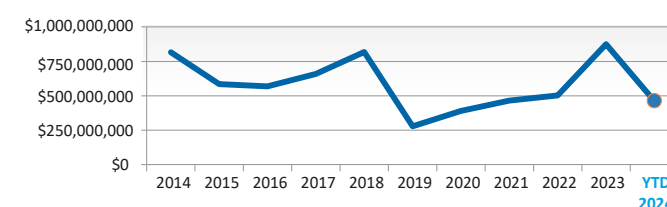
AVERAGE PRICE PER ACRE (ICI & RESIDENTIAL)



NUMBER OF TRANSACTIONS (ICI & RESIDENTIAL)



TOTAL \$ VOLUME (ICI & RESIDENTIAL)



this category is that all but two transaction completed through the first half of 2024 involved land areas smaller than nine acres. Equally noteworthy, we have also observed a substantial year-over-year increase in the number of partial-acre residential land sales, which typically closed well above-market prices. Over the first six months of this year, eleven of the twenty-one residential land transactions were partial-acre purchases and these closed at an average of \$6.9 million/acre. This was similar to what we noted through 2023 and 2022 and speaks to the ongoing demand for high-density multi-residential developments in Calgary.

Sources: Altus Insights & The Network

Commercial Condominium Investment

Over the previous five years, ownership of commercial condo units has increased significantly in the Calgary market.

Several formats – office, industrial and retail/medical – are available and can be found in a variety of options from units in small, multi-tenant buildings to business parks. All provide distinct advantages such as fixed and clear costs, complete control over design within the premises, and notably, tax benefits not available to leasing tenants.

Since 2019, the commercial condominium sector in Calgary has attracted an increasingly diverse group of occupiers and investors who collectively closed \$174 million in transitions through the first half of 2024; a 13% year-over-year increase in dollar volume.

Our forthcoming *Mid-Year 2024 Calgary Commercial Condominium Investment Insights Update* will provide detailed information on sales trends within this asset type.

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