

Calgary Commercial Real Estate Investment Insights

Investment Market Analysis | Calgary • Year-End 2023

“Calgary was once again an economic beacon for the country. Renewed confidence in the future of the city brought demand for commercial assets to a level not seen in more than a decade.”



David Wallach
CCIM, Owner/Broker
Barclay Street Real Estate

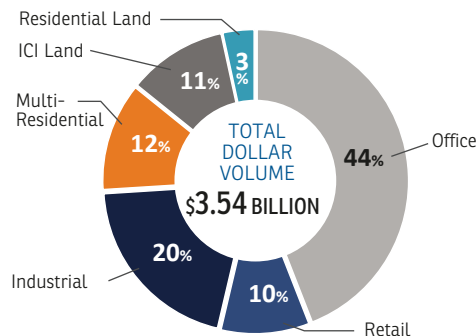
Investors' interest in the Calgary market remained remarkably strong through the final quarter of 2023, during which an additional 88 transactions closed at or above \$1 million, for a total of \$719.2 million. For the year, total dollar volume invested reached just under \$3.4 billion. While this represents a decrease of approximately \$153 million or 5% percent year-over-year, the negative calculation is due entirely to the 2022 sale of The Bow (sale announced in 2021, finalized in 2022) inflating last year's investment numbers. Removing that outlier,

	Year-End 2022	Year-End 2023	Y-O-Y Change
Total Dollar Volume	\$3,540,087,433	\$3,386,890,508	(\$153,196,925)
Volume Excluding Residential Land	\$3,419,620,865	\$3,166,716,154	(\$252,904,711)
Residential Land Only	\$120,466,568	\$220,174,354	\$99,707,786

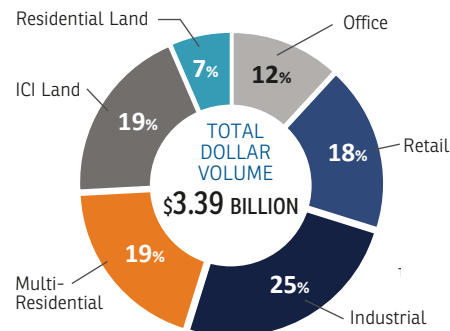
we see investment up year-over-year (y-o-y) across the board.

Of primary interest in 2023 were industrial properties, which saw dollar volume invested in this asset class rise by 18% over year-end 2022 levels to more than \$846 million. Multi-residential properties and ICI land were also in very high demand, posting investment of approximately \$655 million each – 57% and 71% y-o-y increases, respectively. Investment among retail assets through 2023 surpassed \$609 million; a 79% y-o-y gain. Also making a strong comeback was the office asset class, which posted the highest total dollar investment since 2019 – excluding The Bow – and the greatest number of sales since 2017; the last year total sales reached into the low-forties.

YEAR-END 2022 COMMERCIAL REAL ESTATE INVESTMENT SALES OF \$1M AND GREATER



YEAR-END 2023 COMMERCIAL REAL ESTATE INVESTMENT SALES OF \$1M AND GREATER



Major Transactions of 2023

Office	Address	Subdivision	Bldg Size	Sale Price	Price/sf	Cap Rate	Vendor	Purchaser
	3536/3636 Research Rd NW	University Innovation Quarter	204,960 sf	\$75,750,000	\$370/sf	8.44%	HOOPP Realty Inc.	Alberta Infrastructure.
	Calgary place	Downtown Commercial Core	632,000 sf	\$54,650,000	\$173/sf	-	Canadian Property Holdings (Alberta) Inc.	KS Calgary Place Inc.
	Seton Professional Centre	Seton	96,908 sf	\$50,000,000	\$516/sf	-	Carma Ltd.	HS Canada Front Street SE Property Inc.
Retail	Address	Subdivision	Bldg Size	Sale Price	Price/sf	Cap Rate	Vendor	Purchaser
	1420/26 Meridian Rd NE	Meridian	64,779 sf	\$93,524,860	\$1,444/sf	8.01%	Pure Canadian Gaming Corp.	Pure Can Holdings GP 1 ULC.
	10501/13 Southport Rd SW	Southwood	308,167 sf	\$86,300,000	\$280/sf	-	Loblaws Properties West Inc.	CP Reit Alberta Properties Limited.
	Bow River Shopping Centre	Bowness	121,249 sf	\$50,000,000	\$412/sf	5.87%	One Properties Sunnyside GP Inc.	SRF5 Bow River Shopping Centre Inc.
Industrial	Address	Subdivision	Bldg Size	Sale Price	Price/sf	Cap Rate	Vendor	Purchaser
	4920 72 Ave SE	Foothills	702,061 sf	\$90,300,000	\$129/sf	4.79%	HOOPP Realty Inc.	Skyline Commercial Real Estate Holdings Inc.
	5249 52 St SE	Foothills	617,821 sf	\$61,250,000	\$99	6.29%	BK Prime Foothills North GP Inc.	SCREO II Foothills North GP Inc.
	2634/2760 45 Ave SE	Valleyview	348,850 sf	\$57,200,000	\$164	4.82%	Hopewell Equities Inc.	Skyline Commercial Real Estate Holdings Inc.

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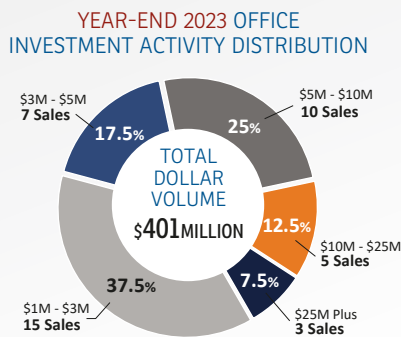
Office Investment

As stated earlier in this report, overall 2023 office investment dollar volume in Calgary was down significantly y-o-y due to last year's sale of The Bow for \$1.2 Billion.

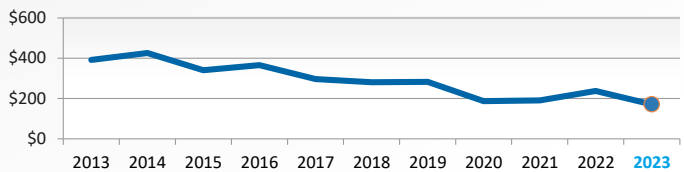
Removing that outlier shows a true picture of office activity and it's a positive one: \$401 million in assets purchased in 2023 versus \$359.7 million in 2022. Calgary has experienced a handful of years in which office investment exceeded the \$1 billion dollar mark (2008, 2011-2013) but those years were buoyed by several big-ticket sales among high numbers of annual transactions.

This was a significant year for transaction activity, with total sales reaching a six-year high. While the number of properties bought for \$10 million and greater was consistent with 2022, organic growth in sales activity among the other price ranges provided a solid foundation for total investment in 2023.

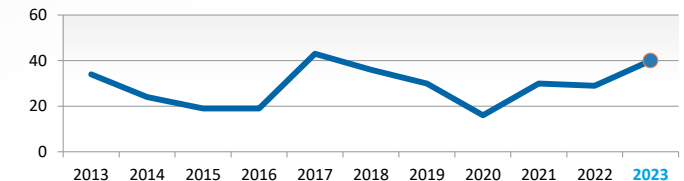
After a quiet first quarter, the April through June period saw the majority of the year's transactions – which includes several buildings later approved for Calgary's *Downtown Development Incentive Program* –



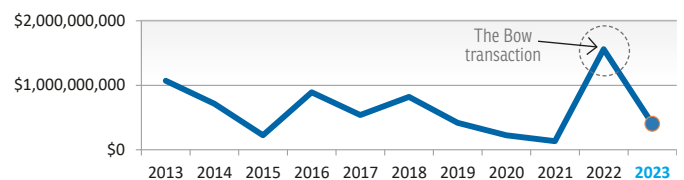
AVERAGE PRICE PER SQUARE FOOT



NUMBER OF TRANSACTIONS



TOTAL \$ VOLUME



close. Approximately 60% of total investment for the year was finalized during the second quarter.

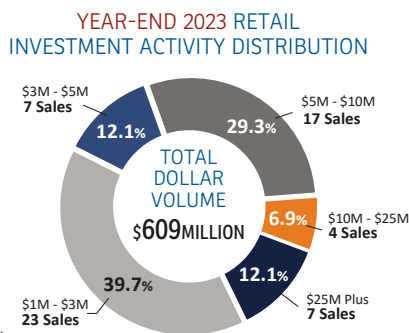
Retail Investment

Dollar volume in Calgary's retail asset class increased markedly year-over-year, with dollar volume up by more than \$268 million to \$609 million.

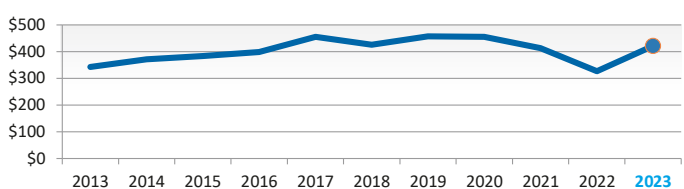
This large change was reflective of notably increased y-o-y investor activity. Of the 58 transactions concluded, seven closed above \$25 million with the largest of those being the \$93.5 million purchase of Pure Casino Calgary, which was part of a portfolio of Alberta properties bought by Pure Can Holdings GP 1 ULC.

Though investors were active across all price ranges, this unexpectedly high activity among big-ticket items (\$25+ million) was a marked reversal of a trend that began in the third quarter of 2017 and lasted through much of the Covid-19 pandemic, in which investors avoided big-ticket purchases.

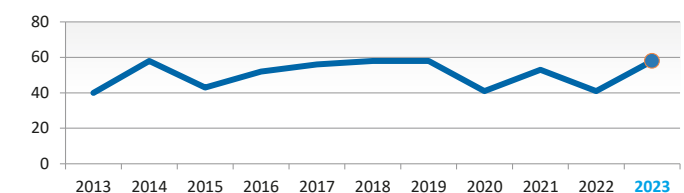
Notably, the vast majority of retail activity took place in the first nine months of the year – the second quarter in particular. October through December were decidedly quiet, with just nine transactions totalling \$39.1 million closing. The April through June period of 2023 is when the bulk of the year's transactions closed and just under half the year's total investment was booked.



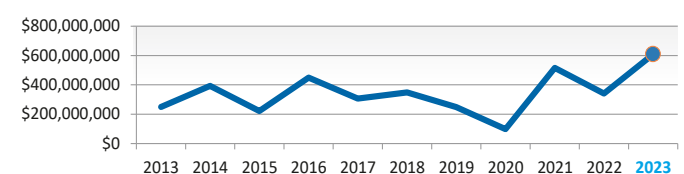
AVERAGE PRICE PER SQUARE FOOT



NUMBER OF TRANSACTIONS



TOTAL \$ VOLUME



Industrial Investment

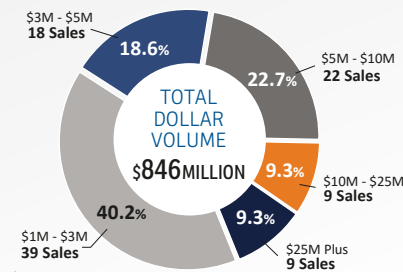
Demand for industrial properties remained flat on a year-over-year basis, with year-to-date transaction numbers rising by just five to 97 from 92.

With the increased sales came an 18% overall bump in total dollar volume for the year. Investment in industrial assets reached a four-year high of \$846.5 million – the second highest recorded in our records going back to 2008.

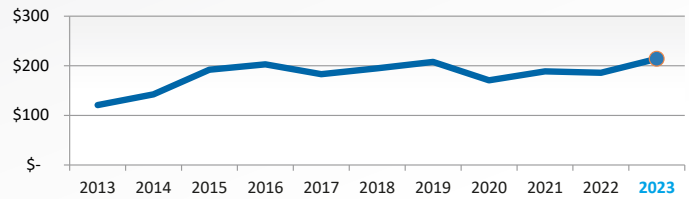
Owner/users, as a group, accounted for 71% of acquisitions and were most active among properties measuring 20,000 square feet or less. Among this group were U-Haul who purchased the Calgary Herald Building from Postmedia and Delta Tek – an existing tenant – who bought 1616-27th Avenue NE.

In a departure from previous years when IM (industrial manufacturing)-zoned properties were the order of the day, investors demonstrated strong demand for IG-designated properties through 2023. Two-thirds of the properties changing hands designated as such; more than the other zoning types combined. This type of property achieved average prices per square foot of \$206 – almost on par with the average of all

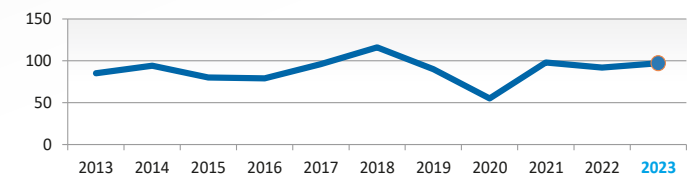
YEAR-END 2023 INDUSTRIAL INVESTMENT ACTIVITY DISTRIBUTION



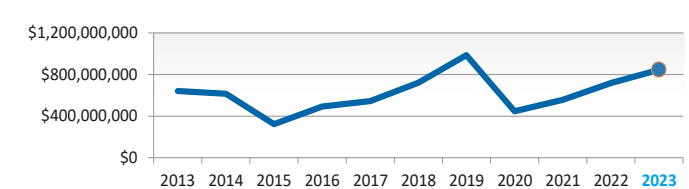
AVERAGE PRICE PER SQUARE FOOT



NUMBER OF TRANSACTIONS



TOTAL \$ VOLUME



97 transactions. On that note, the overall \$214/sf average also reached an all-time high going back to the beginning of our records in 2008.

Multi-Residential Investment

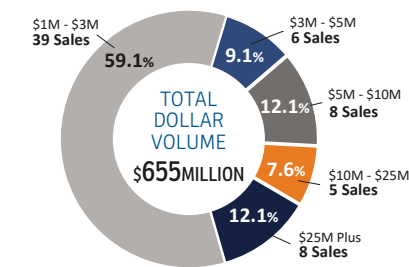
Investment activity in Calgary's Multi-Residential market through 2023 far exceeded that seen in 2022, both in terms of completed transactions and total dollar volume.

This asset class experienced a 20% year-over-year increase in sales. Those additional transactions supported an all-time record for investment at \$655.3 million. This asset class saw 66 transactions close, including eight big-ticket transactions of \$25 million or greater – five of which exceeded \$50 million.

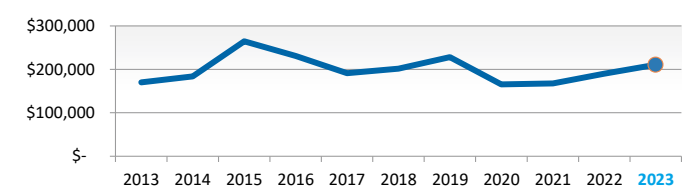
As noted in our Q3 Update, strong population growth supported demand – and therefore higher rents – in Calgary and we've seen a coinciding increase in purchases of 100+ unit properties over the previous two years. Through 2023, nine such properties sold – two of which were 300+ unit properties: Westview Heights and Wyldewood Estates. These two assets also represented largest sales of the year at \$83.4 million and \$58 million, respectively.

Similarly strong demand for multi-residential assets was witnessed in Edmonton, which also saw record investment during 2023. The appetite among investors for large properties is being supported by Edmonton's

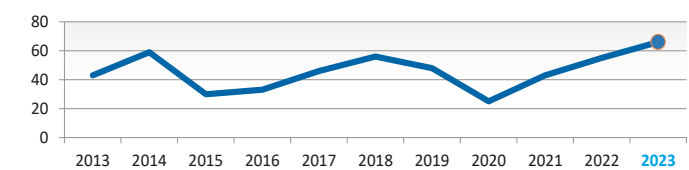
YEAR-END 2023 MULTI-RESIDENTIAL INVESTMENT ACTIVITY DISTRIBUTION



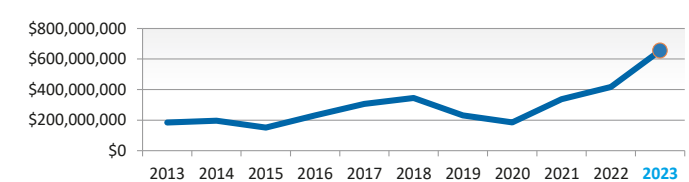
AVERAGE PRICE PER UNIT



NUMBER OF TRANSACTIONS



TOTAL \$ VOLUME



extremely low rental apartment vacancy, which dropped to the low 4% range earlier this year. The same forces of population growth-driven demand and higher rental rates spurred a similar spike in sales activity among 100+ unit properties in that market as well.

Land Investment

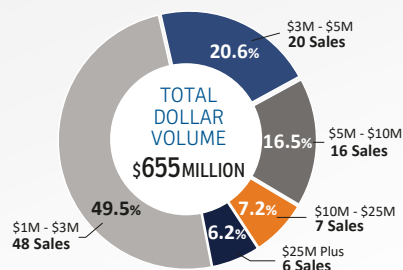
The ICI Land (Industrial, Commercial and Investment) sector witnessed a significant year-over-year upswing in activity, with sales rising 47%.

This land category also represented the majority of total land investment sales during 2023, contributing just under \$655 million of the total \$875 million in total dollar volume for the year. The average ICI transaction sat at \$6.7 million; an increase of \$1 million per sale versus 2022.

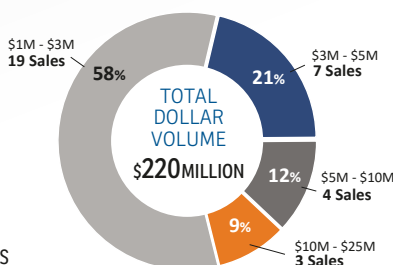
In terms of investment activity, ICI Land transactions increased by approximately 30% year-over-year to 97 from 66 at the end of 2022. Our analysis of these sales shows greater investment among properties priced above \$10 million, with thirteen such transactions closing. Those sales comprised 57% of total ICI Land investment.

Residential Land sales totalled a little more than \$220 million at the end of 2023 and averaged more than \$5 million per transaction. Noteworthy in this category is that all but one transaction completed

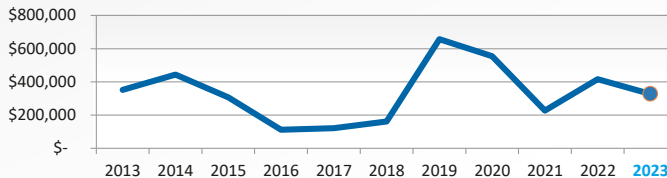
YEAR-END 2023 ICI LAND INVESTMENT ACTIVITY DISTRIBUTION



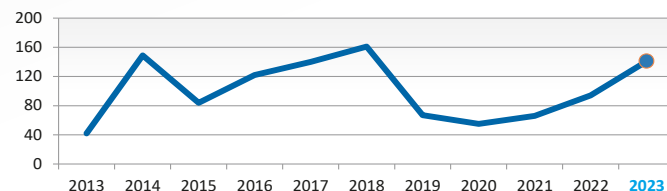
YEAR-END 2023 RESIDENTIAL LAND INVESTMENT ACTIVITY DISTRIBUTION



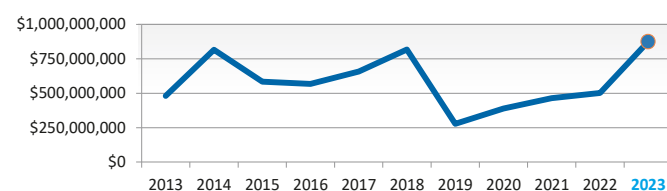
AVERAGE PRICE PER ACRE (ICI & RESIDENTIAL)



NUMBER OF TRANSACTIONS (ICI & RESIDENTIAL)



TOTAL \$ VOLUME (ICI & RESIDENTIAL)



through 2023 involved land areas smaller than seven 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 at above-market prices. Over the year, fifteen partial-acre purchases had closed at an average of \$9 million/acre whereas eight closed during 2022 at an average of \$6.7 million/acre.

Sources: Altus Insights & The Network

Major Transactions of 2023 (cont.)

Multi-family	Address	Subdivision	Bldg Size	Sale Price	Price/Unit	Cap Rate	Vendor	Purchaser
	Westview Heights Apartments	Downtown Core	304 units	\$83,400,000	\$274,342/unit	-	Bentley Investments Ltd.	Westbow Real Estate Properties GP Inc.
	Pinnacle Apartments	Haysboro	278 units	\$58,000,000	\$208,633/unit	-	Morguard Residential Properties (1) Inc.	Avenue Living (2014) GP Ltd.
	Wyldeewood Estates	Acadia	330 units	\$58,000,000	\$175,758/unit	5.45%	Morguard Residential Properties (1) Inc.	Avenue Living (2014) GP Ltd.
ICI Land	Address	Subdivision	Site Area	Sale Price	Price/Ac	Cap Rate	Vendor	Purchaser
	18800 52 St SE	Rangeview	203.71 ac	\$70,000,000	\$343,625/ac	-	Danube Farming Ltd.	East Seton Lands Ltd.
	683 9 Ave SE	Downtown East Village	3.77 ac	\$46,990,864	\$12,464,420/ac	-	Remington Development Corporation.	The City of Calgary
	100 St & 17 Ave SE	Belvedere	278.84 ac	\$40,000,000	\$143,451/ac	-	Opengate AG Inc.	1154592 Alberta Inc.
Residential Land	Address	Subdivision	Site Area	Sale Price	Price/Ac	Cap Rate	Vendor	Purchaser
	1550 Na'a Drive SW	Medicine Hill	6.72 ac	\$15,768,500	\$2,346,503/ac	-	ICON At Trinity Hills GP Inc.	THI Apartments GP Inc.
	4270 Norford Ave NW	University District	3.78 ac	\$13,680,000	\$3,619,048/ac	-	University of Calgary Properties Group Ltd.	Rohit at University District Ltd.
	3504 19 St SW	Altadore	1.02 ac	\$13,350,000	\$13,027,016/ac	-	942424 Alberta Ltd., et al.	Mancal Properties Development Inc.

PREPARED BY BARCLAY STREET REAL ESTATE

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