

COMMERCIAL REAL ESTATE INVESTMENT ANALYSIS

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“Investors are back in Calgary’s commercial real estate (CRE) investment market and their wallets are open. Fuelled by a continued desire for retail assets and renewed interest in ICI and Residential Land, total dollar volume invested rose by 23% year-over-year.”



George Larson, *Vice President, Investment Sales*
Barclay Street Real Estate

AT THE MID-POINT OF 2018, THE CALGARY COMMERCIAL REAL ESTATE (CRE) MARKET DEMONSTRATED ONGOING APPEAL TO INVESTORS. THIS WAS DEMONSTRATED IN A NOTABLE YEAR-OVER-YEAR DOLLAR VOLUME INCREASE. THE SECOND QUARTER ALONE SAW MORE THAN \$697 MILLION TRANSACTED.

Driven by renewed interest in office properties, retail assets and ICI (Industrial, Commercial and Investment) Land, the renewed appeal of commercial real estate that took hold in mid-2016 continued. This is demonstrated by a 23% year-over-year increase in dollar volume at June 30th. With that said, the transactions completed during the first half of 2018 were generally smaller in nature than during the first half of 2017.

Tracking sales greater than or equal to \$1 million, approximately \$1.26 billion was invested across the Office, Retail,

Industrial, Multi-Residential and ICI/Residential land asset classes between January 1st and June 30th, 2018. This was accompanied by a 12% increase in completed transactions compared to the same period last year. Notable shifts in investor focus surround the demand for Retail properties and ICI Land. The former asset class saw dollar volume more than double to \$173 million while the latter rose by 99% to \$196 million. The Industrial and Office asset classes also saw increased dollar volume on a roughly similar number of transactions as logged at mid-year 2017.

At the other end of the spectrum, both demand and dollar volume invested in Multi-Residential properties declined markedly. Barclay Street tracks activity level (the number of transactions) by property price range, which yields data showing

	Mid-Year 2017	Mid-Year 2018	Year-Over-Year Change
Total Dollar Volume	\$1,025,206,203	\$1,257,825,360	\$232,619,157
Volume Excluding Residential Land	\$850,644,139	\$1,040,750,084	\$190,105,945
Residential Land Only	\$174,562,064	\$217,075,276	\$42,513,212



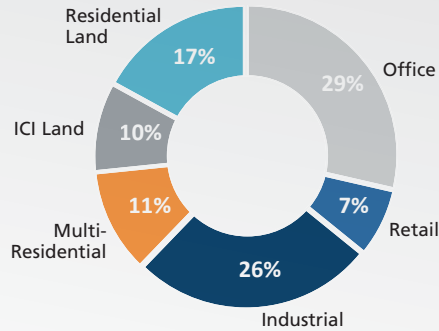
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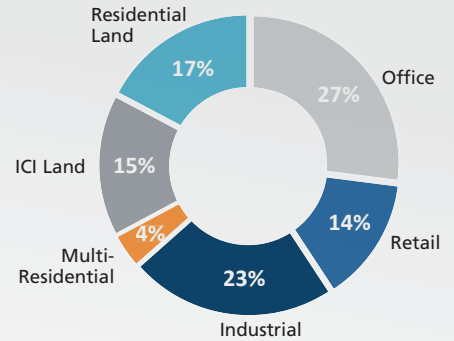


→ investor appetite for this type of property was much less balanced than we've seen in the previous two years. Our analysis shows a retrenchment toward assets priced at less than \$10 million. Among the remaining asset classes, a broadened demand for properties across the five price categories was evident.

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



MID-YEAR 2018 COMMERCIAL REAL ESTATE INVESTMENT SALES OF \$1 MILLION AND GREATER



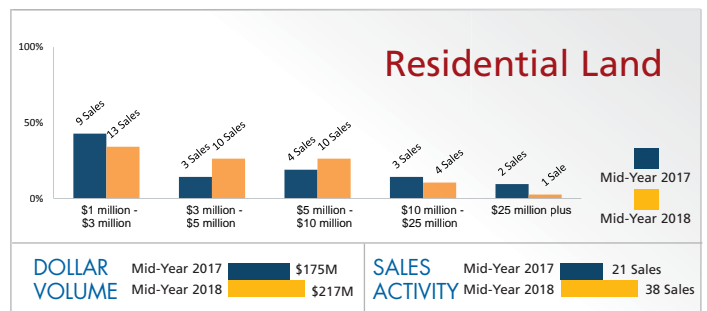
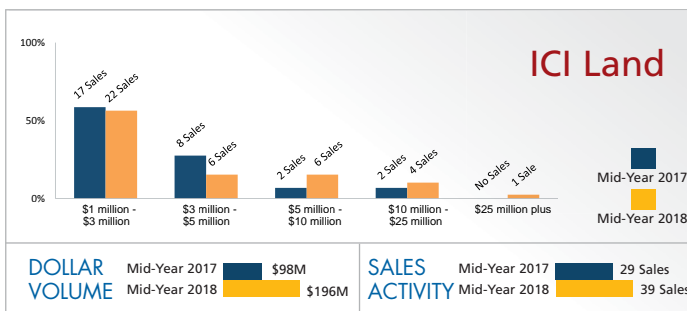
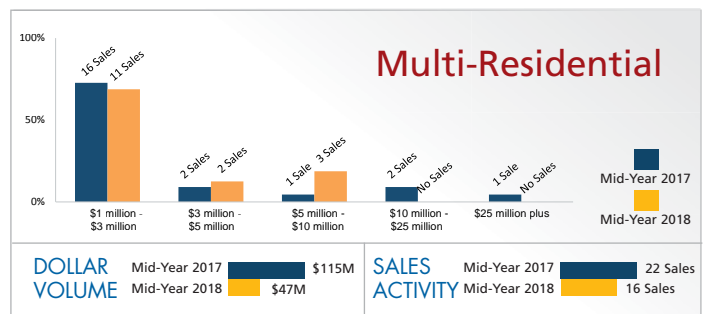
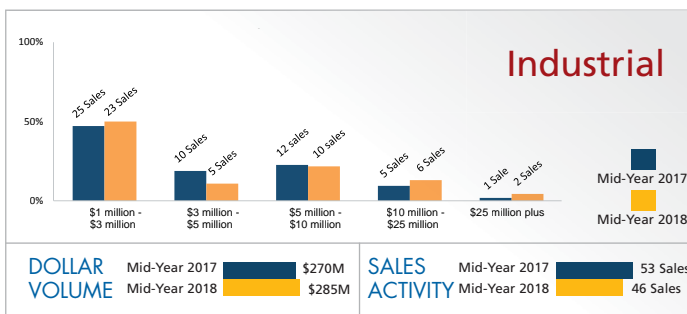
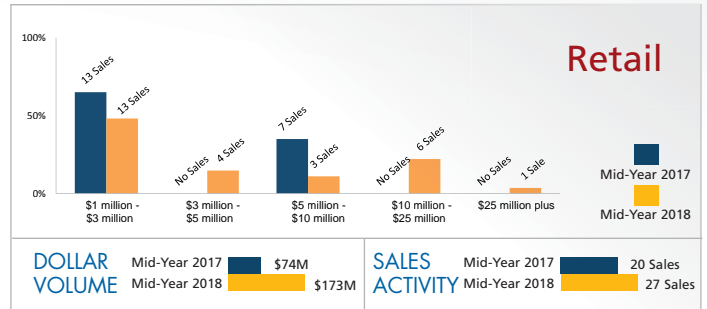
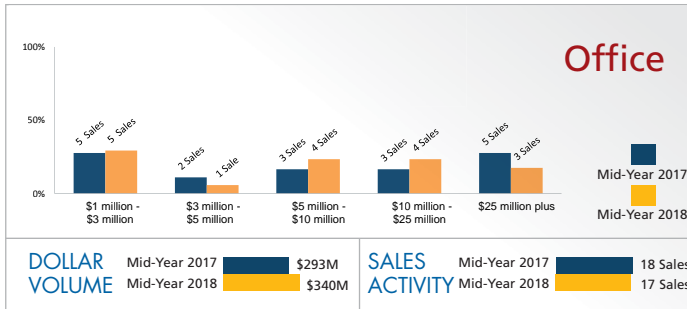
TOTAL DOLLAR VOLUME



TOTAL SALES ACTIVITY



MID-YEAR 2018 VS. MID-YEAR 2017 TRANSACTION ACTIVITY DISTRIBUTION, PERCENTAGE OF TOTAL SALES



Office Investment

THE OFFICE INVESTMENT MARKET IN CALGARY SAW 17 OFFICE TRANSACTIONS EQUAL TO OR GREATER THAN \$1 MILLION, TOTTALLING APPROXIMATELY \$340 MILLION DURING THE FIRST HALF OF 2018.

OFFICE TRANSACTIONS OVER \$1 MILLION (TOTAL ANNUAL)

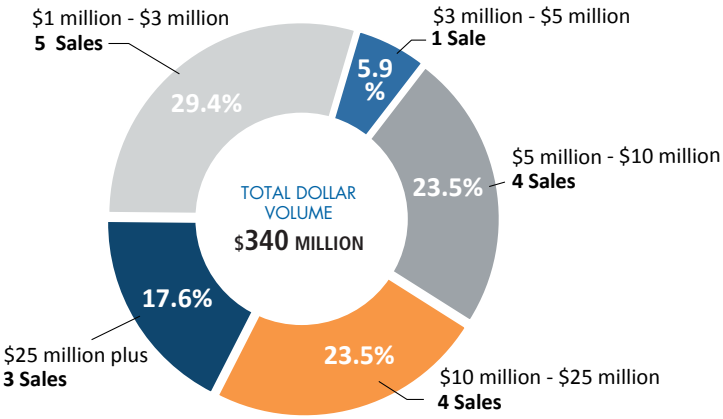
	2013	2014	2015	2016	2017	YTD 2018
Total \$ Volume	\$1,067,696,088	\$712,276,508	\$223,984,241	\$891,683,036	\$537,729,320	\$339,918,108
# of Transactions	34	24	19	19	43	17
Avg. Bldg. Price per Square Foot	\$392	\$426	\$340	\$366	\$296	\$318
Average Price Per Transaction	\$34,178,465	\$29,678,188	\$11,788,644	\$46,930,686	\$12,505,333	\$19,995,183
Average Building Size (sf)	82,556	69,722	44,035	167,501	86,534	113,927

Source: RealNet.ca

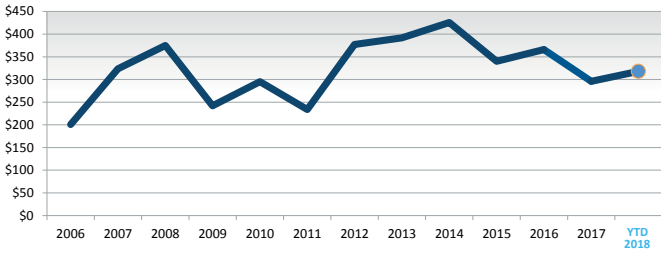
This represents 27% of investment across all asset classes. Calgary saw a substantial influx of investor cash in the second quarter of the year and investor focus was trained primarily on Class A and B properties. This was best demonstrated by three major purchases well-above \$25 million, the most notable of which was Hines' purchase of First Tower at 411 – 1st Street SE for \$107 million. Slate Asset Management was back in a big way, purchasing Scotia Centre and Centron Park from Cominar REIT for \$95 million and \$32 million, respectively.

Performing a dollar volume comparison to the mid-point of 2017, investment increased by 16% due in large part to the above-noted portfolio purchase. Additionally, year-over-year activity as defined by the number of transactions closed, remained stable with a decrease of only a single transaction. Barclay Street's analysis shows an ongoing, year-over-year dispersion of transactions among the various price ranges - which emerged in a meaningful way in mid-2017. Referring to the Activity Distribution chart on the inside cover of this report, our analysis demonstrates that a broadened year-over-year dispersion of transactions remains among the various price ranges in this asset class.

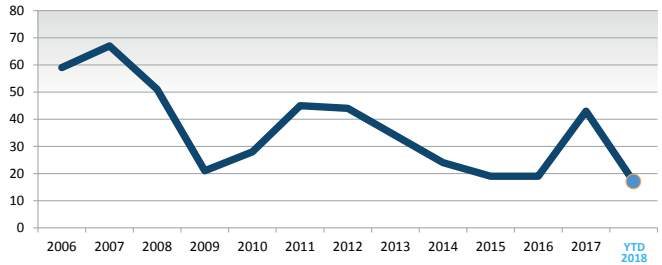
MID-YEAR 2018 OFFICE INVESTMENT ACTIVITY DISTRIBUTION



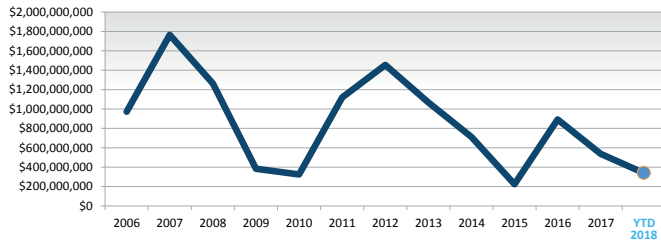
AVERAGE PRICE PER SQUARE FOOT



NUMBER OF TRANSACTIONS



TOTAL \$ VOLUME



Retail Investment

DOLLAR VOLUME IN CALGARY'S RETAIL ASSET CLASS MADE A MAJOR RESURGENCE AT THE MID-POINT OF 2018.

Tracking year-over-year investment in this asset class we noted that dollar volume more than doubled at \$173 million. This increase was fuelled by several big-ticket transactions of \$10 million or greater, whereas no sales took place above the \$10 million threshold by June 30th 2017. The largest purchase to mid-year 2018 was the purchase of 5809 Macleod Trail SW by Calgary Co-Op for \$26.4 million.

Activity in Calgary's retail asset class rose by approximately 35% over mid-year 2017, with 27 transactions completed. The majority of activity continued to focus on retail properties priced in the \$1 million to \$3 million dollar

RETAIL TRANSACTIONS OVER \$1 MILLION (TOTAL ANNUAL)

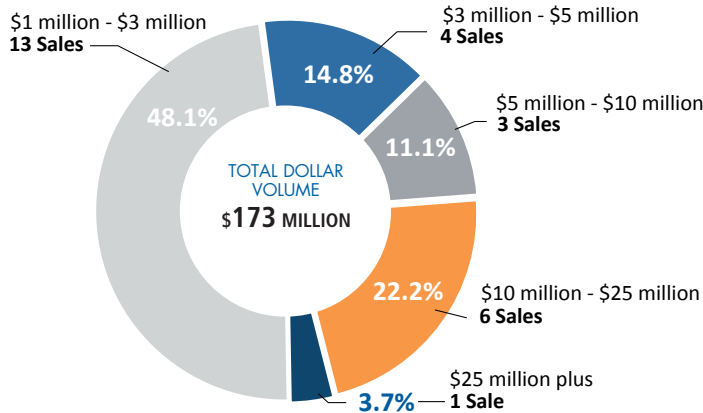
	2013	2014	2015	2016	2017	YTD 2018
Total \$ Volume	\$249,741,704	\$392,663,729	\$222,026,567	\$449,222,745	\$305,754,000	\$172,669,100
# of Transactions	40	58	43	52	56	27
Avg. Bldg. Price per Square Foot	\$343	\$371	\$384	\$399	\$455	\$426
Average Price Per Transaction	\$6,243,543	\$6,770,064	\$5,163,409	\$8,638,899	\$5,459,893	\$6,395,152
Average Building Size (sf)	18,192	18,557	13,442	28,192	13,056	14,950

Source: RealNet.ca

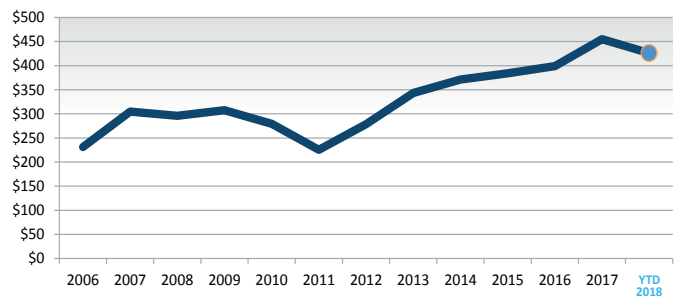
range though we also observed an increased appetite for higher-priced product in the \$10 to \$25 million dollar range. Average price per square foot (psf) took a breather following a multi-year upward climb. With that said, two properties sold for more than \$700 psf. Notable in this regard were the Jacksonport shopping centre at 3724 104th Avenue NE (\$994 psf) 5288 130th Avenue S.E. (\$737 psf).

As mentioned in our Q1 report, investment in the retail asset class was off to a strong start and the demand in this asset class showed no signs of slowing down at June 30th. More than \$77 million was invested during the second quarter, with the largest purchase being the aforementioned Jacksonport shopping centre for \$18.2 million. Barclay Street's analysis of these transactions – found in the Activity Distribution chart on the inside cover of this report - shows a significant year-over-year dispersion of transactions among the various price ranges.

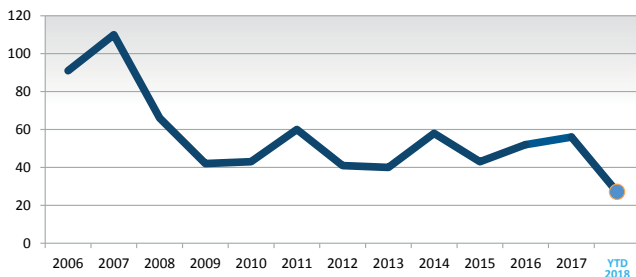
MID-YEAR 2018 RETAIL INVESTMENT ACTIVITY DISTRIBUTION



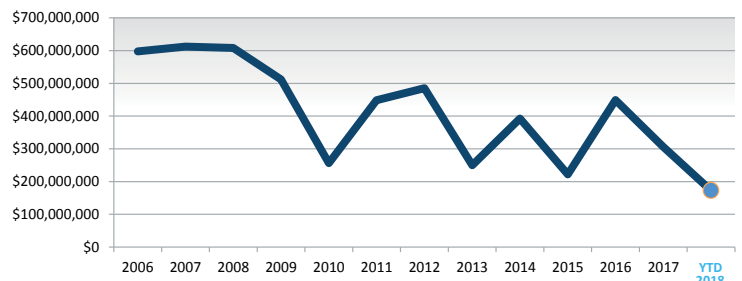
AVERAGE PRICE PER SQUARE FOOT



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 2018, CALGARY'S INDUSTRIAL SALE MARKET CONTINUED TO SHOW SIGNS OF REJUVENATION.

On a dollar volume basis, Calgary's Industrial asset class posted a small year-over-year increase to \$285 million from \$270 million at the same point last year. Dollar volume for the first half of the year was supported by a \$47.5 million portfolio purchase of multiple properties from Cominar REIT by Slate Asset Management. This and one other purchase closed above \$25 million, which kept activity among the five price ranges we set out consistent with that of mid-year 2017. This trend was first observed at the mid-point of 2016.

While market dynamics continued to place lease rates and property valuations in favour of prospective buyers, leasing activity and renewed development signalled the increasing health of the industrial market. Investor confidence in the Calgary market remains strong with inventory growing by 1,200,000 square feet (sf) in Q2. An additional 2,400,000 sf currently under construction and 3,200,000 sf is planned.

Taking into account the generally positive atmosphere during the first half of 2018, investors were still able to negotiate prices per square foot slightly below those seen at the mid-point of 2017. Average priced decreased slightly year-over year to \$174 per square foot (psf) from \$186 one year prior. At the high end of the spectrum were 3815 Manchester Road SE and 4111 13A Street SE which sold

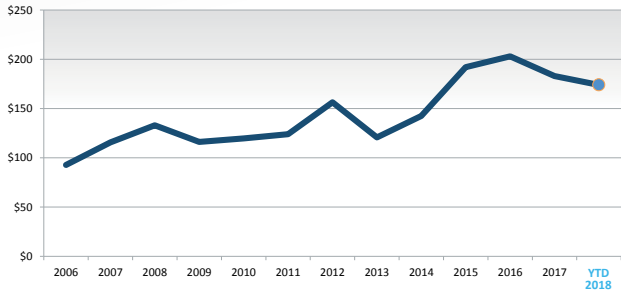
for \$326 psf and \$317 psf, respectively. At the other end were three properties which sold for less than \$75 psf: 4920 43rd Street SE (\$74 psf), 4810 76th Avenue SE (\$72) and 7704 30th Street SE (\$71 psf).

INDUSTRIAL TRANSACTIONS OVER \$1 MILLION (TOTAL ANNUAL)

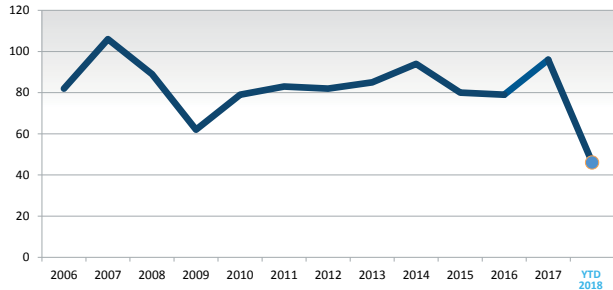
	2013	2014	2015	2016	2017	YTD 2018
Total \$ Volume	\$641,773,697	\$614,294,285	\$322,786,141	\$491,665,051	\$545,320,418	\$285,453,917
# of Transactions	85	94	80	79	96	46
Average Price per Square Foot	\$121	\$142	\$192	\$203	\$183	\$174
Average Price	\$7,550,279	\$6,535,046	\$4,034,827	\$6,223,608	\$5,680,421	\$6,205,520
Average Building Size (sf)	62,530	47,389	26,580	43,941	46,928	46,261

Source: RealNet.ca

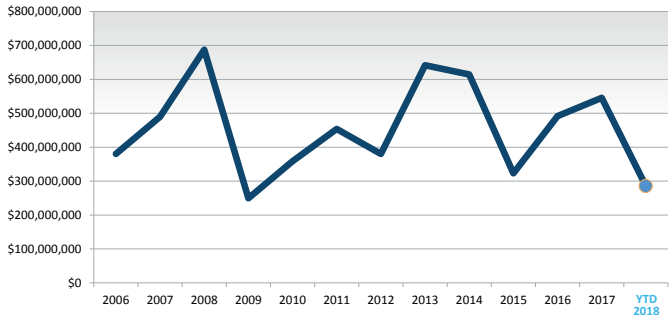
AVERAGE PRICE PER SQUARE FOOT



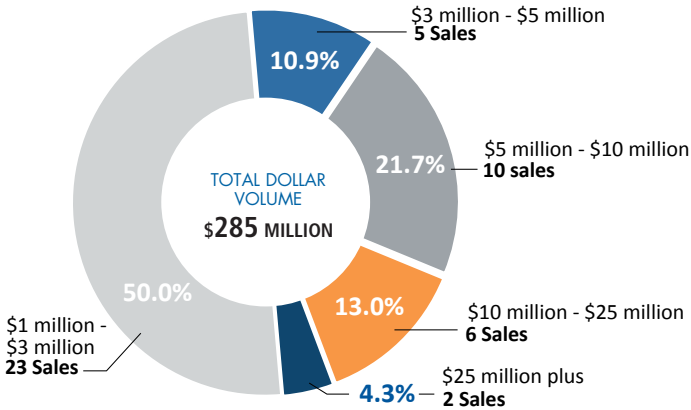
NUMBER OF TRANSACTIONS



TOTAL \$ VOLUME



MID-YEAR 2018 INDUSTRIAL INVESTMENT ACTIVITY DISTRIBUTION



Multi-Residential Investment

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

The reduction in transactions led to a [decrease] in dollar volume of 59%, to \$49 million from approximately \$115 million one year prior. We also noted a departure from the previous year's dispersion of transactions among the various price ranges. Barclay Street's analysis of these transactions can be found in the Activity Distribution chart on the inside cover of this report.

At mid-year 2018, the average size of a multi-residential property was 20 units versus 29 at the same time last year. The most

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

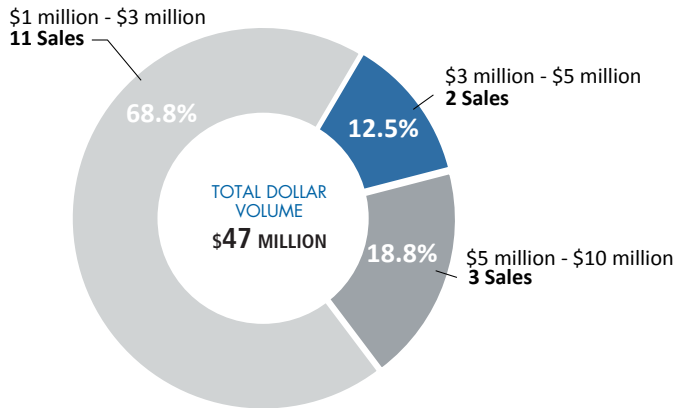
	2013	2014	2015	2016	2017	YTD 2018
Total \$ Volume	\$184,119,075	\$195,877,359	\$150,944,958	\$231,084,167	\$306,942,000	\$46,931,953
# of Transactions	43	59	30	33	46	16
Average Price per Unit	\$170,323	\$183,922	\$264,816	\$230,970	\$191,120	\$243,943
Average Price	\$4,281,839	\$3,319,955	\$5,031,499	\$7,002,551	\$6,672,652	\$2,933,247
Average Building Size (Units)	25	18	19	33	46	15

Source: RealNet.ca

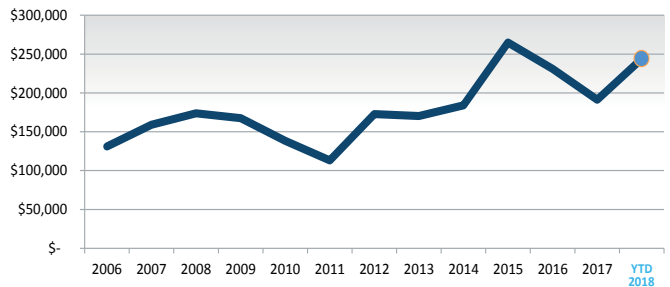
significant Multi-Residential transaction to take place by June 30th was the sale of Central Towers to Hollyburn Properties Ltd. for \$12 million. This property contains 58 units; slightly less than the multi-property purchase by Avenue Living in Greenview from Agape Holdings Ltd., Springbank Creek Investments Ltd. and Barheide Investments Ltd. The latter transaction comprises 80 units.

Referring to the distribution pie chart below, Barclay Street's analysis shows that investors once again placed emphasis was placed on properties priced in the \$1 million to \$3 million dollar range at the expense of higher-priced assets. That said, year-to-date average price per unit increased markedly to approximately \$245,000 from \$189,000 at mid-year 2017. A significant contributor to this was the \$850,000 per unit paid by Atres Holdings Ltd. for 1221 & 1223 Kensington Close NW early in the year.

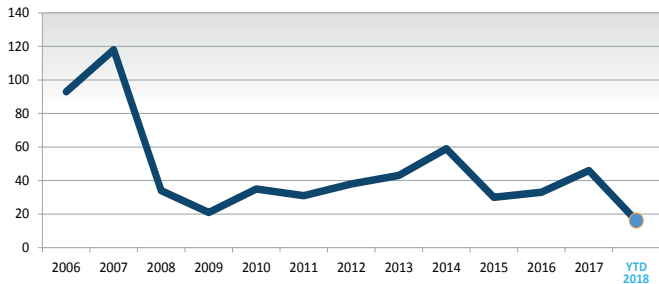
MID-YEAR 2018 MULTI-RESIDENTIAL INVESTMENT ACTIVITY DISTRIBUTION



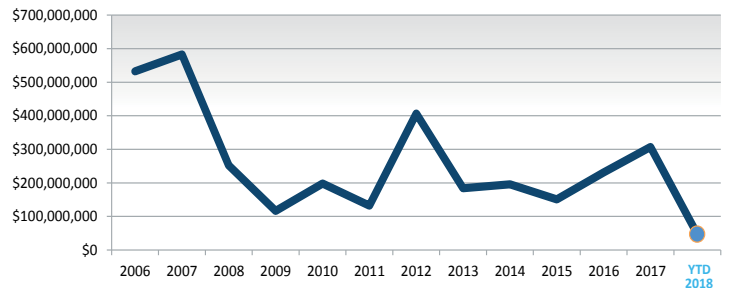
AVERAGE PRICE PER UNIT



NUMBER OF TRANSACTIONS



TOTAL \$ VOLUME



ICI & Residential Land Investment

THE ICI LAND (INDUSTRIAL, COMMERCIAL AND INVESTMENT) SECTOR REPRESENTED JUST UNDER HALF OF LAND INVESTMENT DOLLAR VOLUME AT MID-YEAR 2018, CONTRIBUTING APPROXIMATELY \$196 MILLION OF THE \$413 MILLION INVESTED IN THIS ASSET CLASS.

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

	2013	2014	2015	2016	2017	YTD 2018
Total \$ Volume	\$480,240,938	\$816,045,293	\$584,721,695	\$568,015,527	\$658,723,186	\$412,852,282
# of Transactions	42	149	84	122	140	77
Average Price per Acre	\$352,378	\$443,601	\$306,527	\$111,752	\$120,889	\$188,517
Average Price	\$5,520,011	\$5,479,154	\$6,849,377	\$4,901,424	\$4,897,885	\$5,366,215
Total Land Area (Acres)	1,363	1,840	1,770	5,083	5,449	2,190
Average Land Area (Acres)	16	12	21	34	35	29

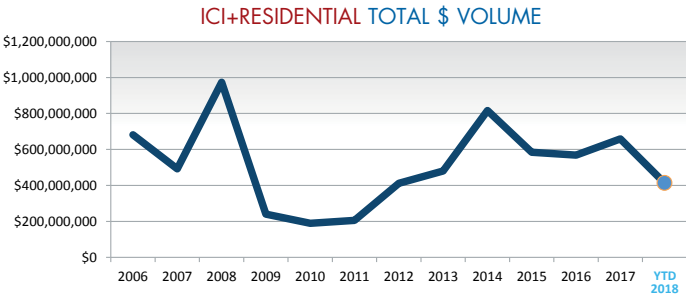
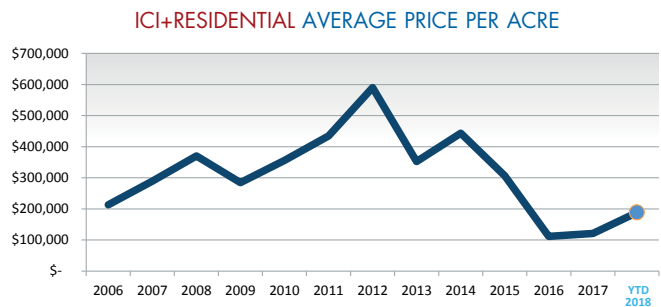
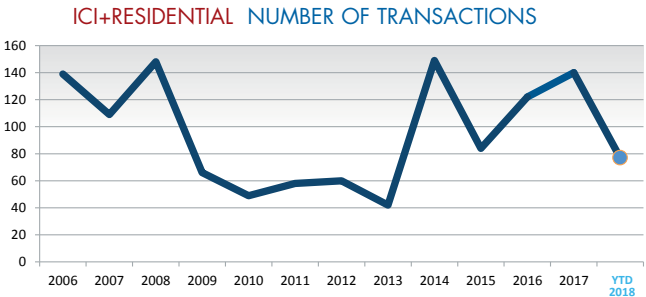
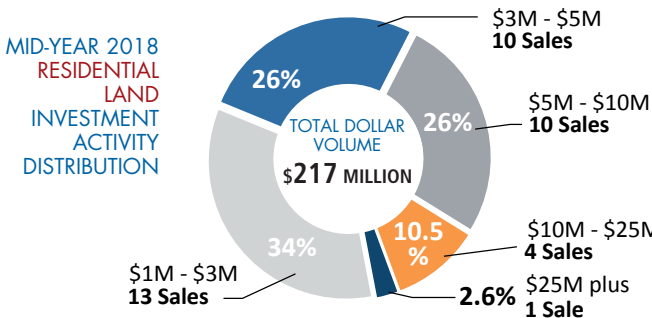
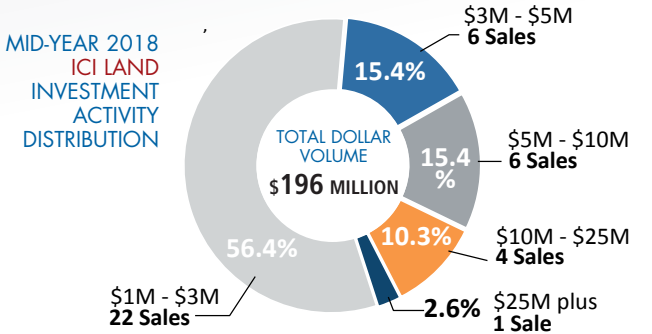
Source: RealNet.ca

The average ICI transaction sat at \$5 million, which is up significantly from \$3.4 million at mid-year 2017. This is largely the result of more mid-priced (\$5 million to \$25 million) assets changing hands and one transaction greater than \$25 million to June 30th.

In terms of investment activity, 39 transactions occurred during the first six months of the year in this category versus 29 one year prior. The largest ICI Land transaction at mid-year was the purchase of

land in the Alyth/Bonnybrook industrial area by The City of Calgary for \$39 million. The land is understood to be for the future Green Line LRT line. This transaction helped boost investment in this asset class by 34% year-over-year. The increased activity however, did not translate into a rise in price per acre. Price per acre in this land class decreased slightly to \$846,000/acre from approximately \$904,000 at the close of Q2, 2017.

Residential Land sales, however, totalled more than \$217 million to the end of the second quarter and averaged \$5.7 million per transaction. The former metric was boosted on a year-over-year basis by Metropia's purchase of 24 Trans-Canada Highway, east of Canada Olympic Drive SW for \$43.3 million. The site is earmarked as a future high-density, multi-residential development. This deal and the 26 others in this category continued the trend of renewed interest in residential land, which we first noted in Q3 2017. We continue to note a significant number of partial acre



← transactions, which typically close at above-market prices. During the first half of 2018, 17 partial-acre purchases closed at an average of \$7.3 million/acre.

Speaking to investment activity, the Residential Land asset class saw an 81% increase in the number of transactions completed to

mid-year 2018, with 38 sales completed. Dollar volume increased by 24% year-over-year, largely due to the completion of one sale greater than \$25 million and four between \$10 million and \$25 million. This continues a trend that emerged during the first half of 2017 and can be observed the Activity Distribution charts on the inside cover.

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References

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Barclay Street Real Estate Q2 2018 Market Analyses: Downtown, Beltline and Suburban Office Market, Retail Market and Industrial Market