

COMMERCIAL REAL ESTATE INVESTMENT ANALYSIS

“As we review and analyze 2018 Investments Sales activity and results in Calgary, one quote comes to mind: *“Your big opportunity may be right where you are now.”* by Napoleon Hill. Though 2018 results are better than 2017 and 2016 investment sales numbers, we still have a long way to go. The arrow, however, is pointing in the right direction.”

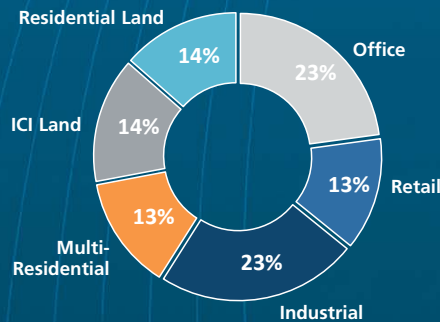
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CALGARY'S COMMERCIAL REAL ESTATE (CRE) MARKET WAS SAW SUBSTANTIAL INVESTOR ACTIVITY DURING 2018. Tracking sales greater than or equal to \$1 million, the dollar volume invested across the office, retail, industrial, multi-residential and ICI/Residential Land asset classes, year-over-year sales increased notably and total dollar volume rose substantially to approximately \$3.05 billion. This represents an increase of approximately \$697 million over 2017 levels.

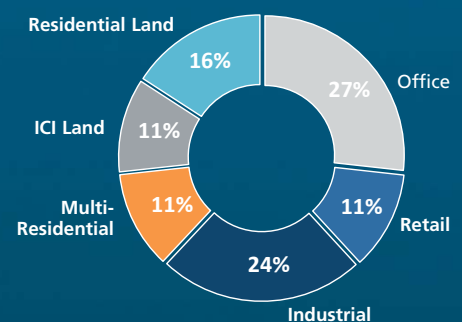
Of primary interest were office properties and Residential Land, each of which saw greater than 50% increases from year-end 2017 levels. Industrial properties were also in very high demand, posting a 32% year-over-year increase. The sole exception to year-over-year investment increases was ICI Land, which fell short of 2017 levels by a mere 2%. Underlying the overall jump in dollar volume was a 12% increase in the number of transactions through 2018 versus 2017. Sales of land zoned for residential development were up by more than 40% and the number of Industrial and Multi-Residential sales were up by more than one-fifth each. Investors were indeed back in Calgary, and active in a very big way.

	Year-End 2017	Year-End 2018	Year-Over-Year Change
Total Dollar Volume	\$2,354,468,924	\$3,051,452,821	\$696,983,897
Volume Excluding Residential Land	\$2,035,620,675	\$2,566,261,723	\$530,641,048
Residential Land Only	\$318,848,249	\$485,191,098	\$166,342,849

YEAR-END 2017 COMMERCIAL REAL ESTATE INVESTMENT SALES OF \$1M AND GREATER



YEAR-END 2018 COMMERCIAL REAL ESTATE INVESTMENT SALES OF \$1M AND GREATER



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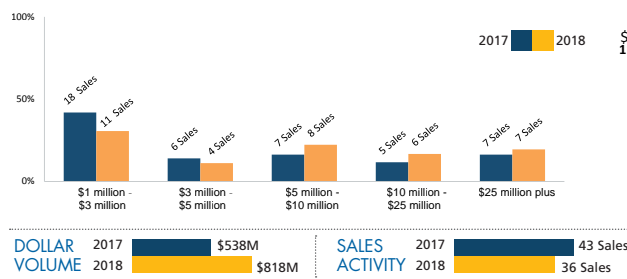


Office Investment

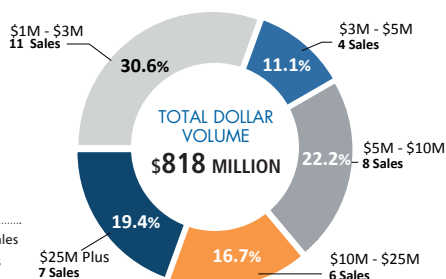
Investor appetite for office buildings increased markedly year-over-year, with 36 transactions closing during the year. These totalled more than \$818 million and made the office asset class the top-performer of the year. It should be noted that investment in this asset class was supported in large part by activity from Slate Asset Management, which was back and active in Calgary in a big way. By mid-year, Slate had purchased *Scotia Centre* and *Centron Park* from Cominar REIT for \$95 million and \$32 million, respectively. In November, *Life Plaza* and *Joffre Place* had been added to Slate's pure office portfolio.

This was a significant year for transactions of assets with price tags greater than \$25 million,

2018 vs. 2017 OFFICE TRANSACTION ACTIVITY DISTRIBUTION, PERCENTAGE OF TOTAL SALES



2018 OFFICE INVESTMENT ACTIVITY DISTRIBUTION



2013-2018 OFFICE TRANSACTIONS OVER \$1 MILLION (TOTAL ANNUAL)

	2013	2014	2015	2016	2017	2018
Total \$ Volume	\$1,067,696,088	\$712,276,508	\$223,984,241	\$891,683,036	\$537,729,320	\$818,438,108
# of Transactions	34	24	19	19	43	36
Avg. Bldg. Price per Square Foot	\$392	\$426	\$340	\$366	\$296	\$281
Average Price Per Transaction	\$34,178,465	\$29,678,188	\$11,788,644	\$46,930,686	\$12,505,333	\$22,734,392
Average Building Size (sf)	82,556	69,722	44,035	167,501	86,534	119,562

Source: RealNet.ca

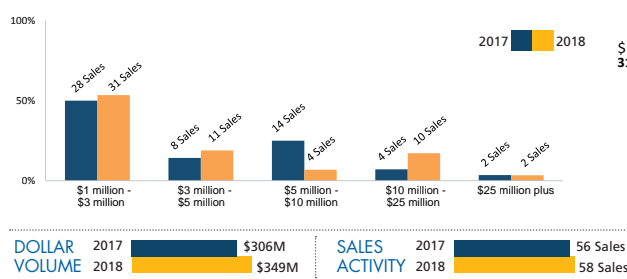
with seven properties changing hands. The major contributor to the upswing in office asset investment was the purchase of *Sun Life Plaza* by Aspen Properties. This transaction alone comprised more than one-quarter of 2018 dollar volume at \$225 million. First Tower, sold to Hines in the spring, sold for \$107 million.

Retail Investment

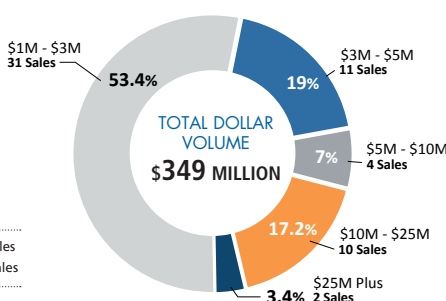
Dollar volume in Calgary's retail asset class increased markedly year-over-year, with dollar volume up by more than \$34 million to \$349 million. Investors remained interested and active within the retail asset class, keeping the number of purchases steady for a third consecutive year. Of the 58 transactions through 2018, 12 closed above \$10 million with the largest being the \$52.4 million purchase of the *Market at Quarry Park* by LCPF Realty Inc.

Average price per square foot (psf) took a breather following a multi-year upward climb. With that said about a third of 2018 retail transactions closed above \$500 psf and three properties sold for more than \$700 psf.

2018 vs. 2017 RETAIL TRANSACTION ACTIVITY DISTRIBUTION, PERCENTAGE OF TOTAL SALES



2018 RETAIL INVESTMENT ACTIVITY DISTRIBUTION



2013-2018 RETAIL TRANSACTIONS OVER \$1 MILLION (TOTAL ANNUAL)

	2013	2014	2015	2016	2017	2018
Total \$ Volume	\$249,741,704	\$392,663,729	\$222,026,567	\$449,222,745	\$305,754,000	\$348,955,646
# of Transactions	40	58	43	52	56	58
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	\$6,016,477
Average Building Size (sf)	18,192	18,557	13,442	28,192	13,056	14,231

Source: RealNet.ca

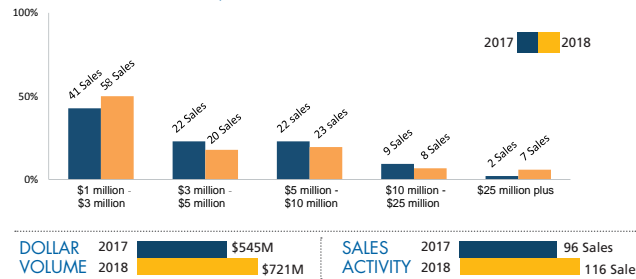
Notable in this regard were a shopping centre in Jacksonport, purchased for \$994 psf and a small Marda Loop strip mall on 33rd Avenue SW, which was bought for \$831 psf. Both assets were bought by private investors.

Industrial Investment

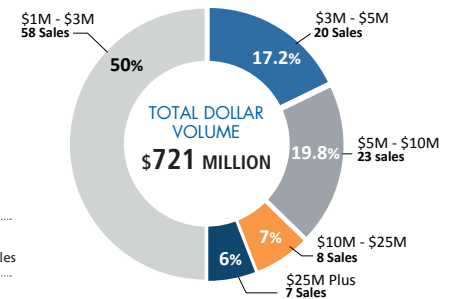
The Greater Calgary Area's industrial market continued to improve, with overall vacancy falling for the seventh consecutive quarter. Consequently, there has been increased optimism among developers and investors and this created a supportive environment for sales of bigger-ticket properties. On a dollar volume basis, Calgary's Industrial asset class posted a year-over-year increase to \$721 million from \$545 million and our analysis shows that investors continued to have a healthy appetite for assets across all price ranges. This trend has continued since the mid-point of 2016.

Through 2018, 116 transactions had closed versus 96 transactions one year earlier.

2018 vs. 2017 INDUSTRIAL TRANSACTION ACTIVITY DISTRIBUTION, PERCENTAGE OF TOTAL SALES



2018 INDUSTRIAL INVESTMENT ACTIVITY DISTRIBUTION



2013-2018 INDUSTRIAL TRANSACTIONS OVER \$1 MILLION (TOTAL ANNUAL)

	2013	2014	2015	2016	2017	2018
Total \$ Volume	\$641,773,697	\$614,294,285	\$322,786,141	\$491,665,051	\$545,320,418	\$721,041,420
# of Transactions	85	94	80	79	96	116
Average Price per Square Foot	\$121	\$142	\$192	\$203	\$183	\$195
Average Price	\$7,550,279	\$6,535,046	\$4,034,827	\$6,223,608	\$5,680,421	\$6,215,874
Average Building Size (sf)	62,530	47,389	26,580	43,941	46,928	41,535

Source: RealNet.ca

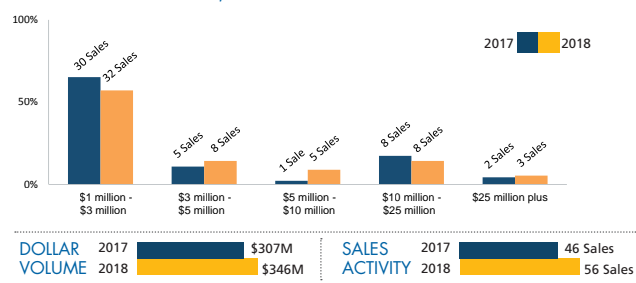
Of these, seven properties were sold at prices greater than \$25 million; the most notable of which was the portfolio purchase of properties in Franklin, Manchester Industrial and Highfield industrial parks by Slate Asset Management for \$47.5 million. Average price per square foot (psf) was \$195; up from \$183 psf at the beginning of the year.

Multi-Residential Investment

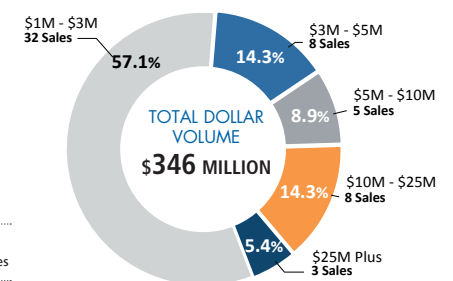
Investment in Calgary's Multi-Residential market rose slightly year-over-year, with dollar volume increasing to \$346 million versus \$307 million in 2017. This belies a substantial increase in the number of transactions closed, however. The roughly 13% increase in dollar volume was fueled by 56 purchases, whereas 2017 investment consisted of 46. The year-over-year dollar volume increase stemmed from a notable boost in mid-priced properties changing hands with price tags between \$3 million and \$10 million. Big-ticket assets priced above \$10 million moved at the same rate as they did during 2017.

The average size of multi-residential properties sold

2018 vs. 2017 MULTI-RESIDENTIAL TRANSACTION ACTIVITY DISTRIBUTION, PERCENTAGE OF TOTAL SALES



2018 MULTI-RESIDENTIAL INVESTMENT ACTIVITY DISTRIBUTION



2013-2018 MULTI-RESIDENTIAL TRANSACTIONS OVER \$1 MILLION (TOTAL ANNUAL)

	2013	2014	2015	2016	2017	2018
Total \$ Volume	\$184,119,075	\$195,877,359	\$150,944,958	\$231,084,167	\$306,942,000	\$345,657,808
# of Transactions	43	59	30	33	46	56
Average Price per Unit	\$170,323	\$183,922	\$264,816	\$230,970	\$191,120	\$201,652
Average Price	\$4,281,839	\$3,319,955	\$5,031,499	\$7,002,551	\$6,672,652	\$6,172,461
Average Building Size (Units)	25	18	19	33	46	32

Source: RealNet.ca

during 2018 was 32 units versus an average of 46 units at the end of 2017. In this regard, the most significant Multi-Residential transactions to take place were 197-unit *Sunridge Village* which was bought by Avenue Living for \$37.9 million and the 158-unit *The Treo at Sherwood*, purchased by Killam Apartment REIT for \$39 million.

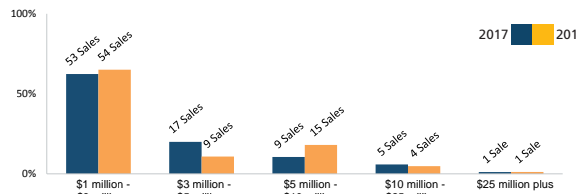
ICI & Residential Land Investment

The ICI Land (Industrial, Commercial and Investment) sector contributed nearly \$332 million of the \$817 million invested in the land asset class. This represents a very small year-over-year decrease in dollar volume. The average ICI transaction sat at \$4 million, which is unchanged from year-end 2017. The largest transaction of 2018 was the purchase of land in the Alyth/Bonnybrook industrial area by The City of Calgary for \$39 million. This transaction provided a significant boost to investment in this asset class.

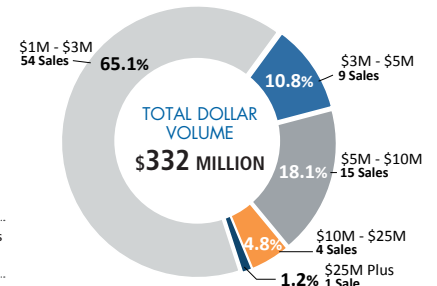
Residential Land sales totalled more than \$485 million for 2018 and averaged \$6.2 million per transaction. The former metric represents a substantial 52% year-over-year dollar volume increase and a significant portion of that was Metropia's purchase of 24 acres near Canada Olympic Park for \$43.3 million. The site is earmarked as a future high-density, multi-residential development. This deal was reflective of the renewed interest in residential land. We first noted this in Q3 2017. We continue to note a significant number of partial acre transactions, which typically close at above-market prices. During 2018, 26 partial-acre purchases closed at an average of \$9.4 million/acre.

ICI Land

2018 vs. 2017 ICI LAND TRANSACTION ACTIVITY DISTRIBUTION, PERCENTAGE OF TOTAL SALES

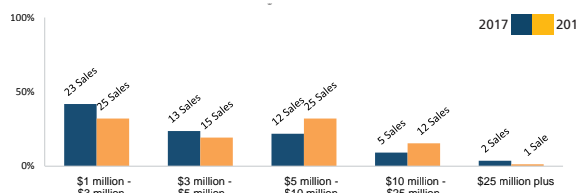


2018 ICI LAND INVESTMENT ACTIVITY DISTRIBUTION

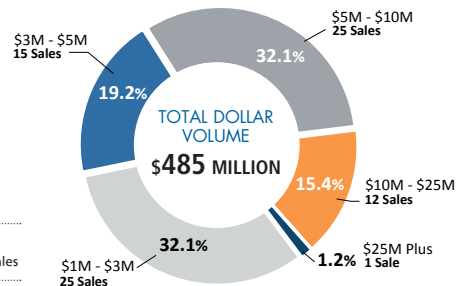


Residential Land

2018 vs. 2017 RESIDENTIAL LAND TRANSACTION ACTIVITY DISTRIBUTION, PERCENTAGE OF TOTAL SALES



2018 RESIDENTIAL LAND INVESTMENT ACTIVITY DISTRIBUTION



2013-2018 ICI + RESIDENTIAL LAND TRANSACTIONS OVER \$1 MILLION (TOTAL ANNUAL)

	2013	2014	2015	2016	2017	2018
Total \$ Volume	\$480,240,938	\$816,045,293	\$584,721,695	\$568,015,527	\$658,723,186	\$817,359,839
# of Transactions	42	149	84	122	140	161
Average Price per Acre	\$352,378	\$443,601	\$306,527	\$111,752	\$120,889	\$162,303
Average Price	\$5,520,011	\$5,479,154	\$6,849,377	\$4,901,424	\$4,897,885	\$5,111,216
Total Land Area (Acres)	1,363	1,840	1,770	5,083	5,449	5,036
Average Land Area (Acres)	16	12	21	34	35	30

Source: RealNet.ca

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