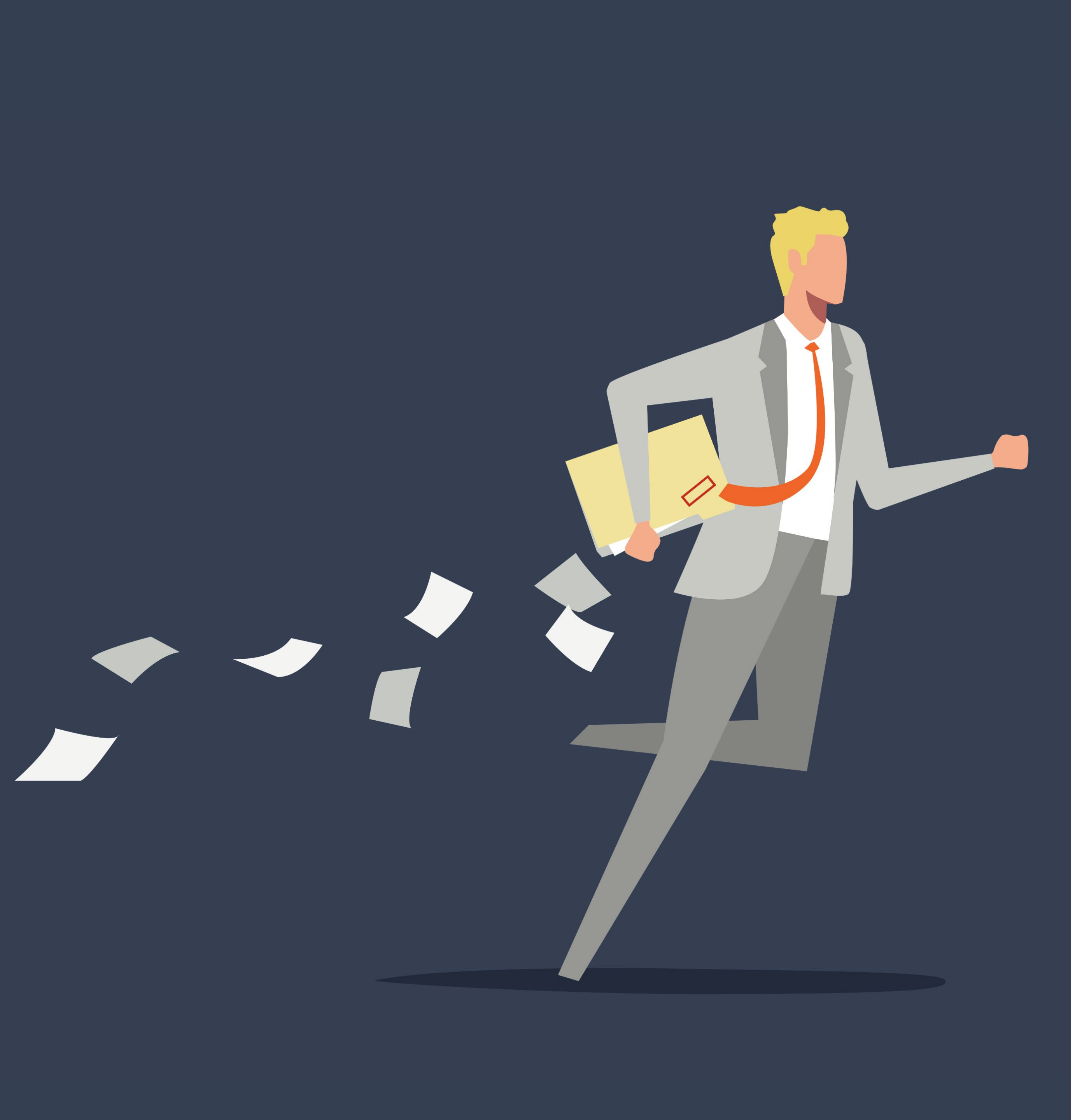


Property Tax Services

CITY OF CALGARY

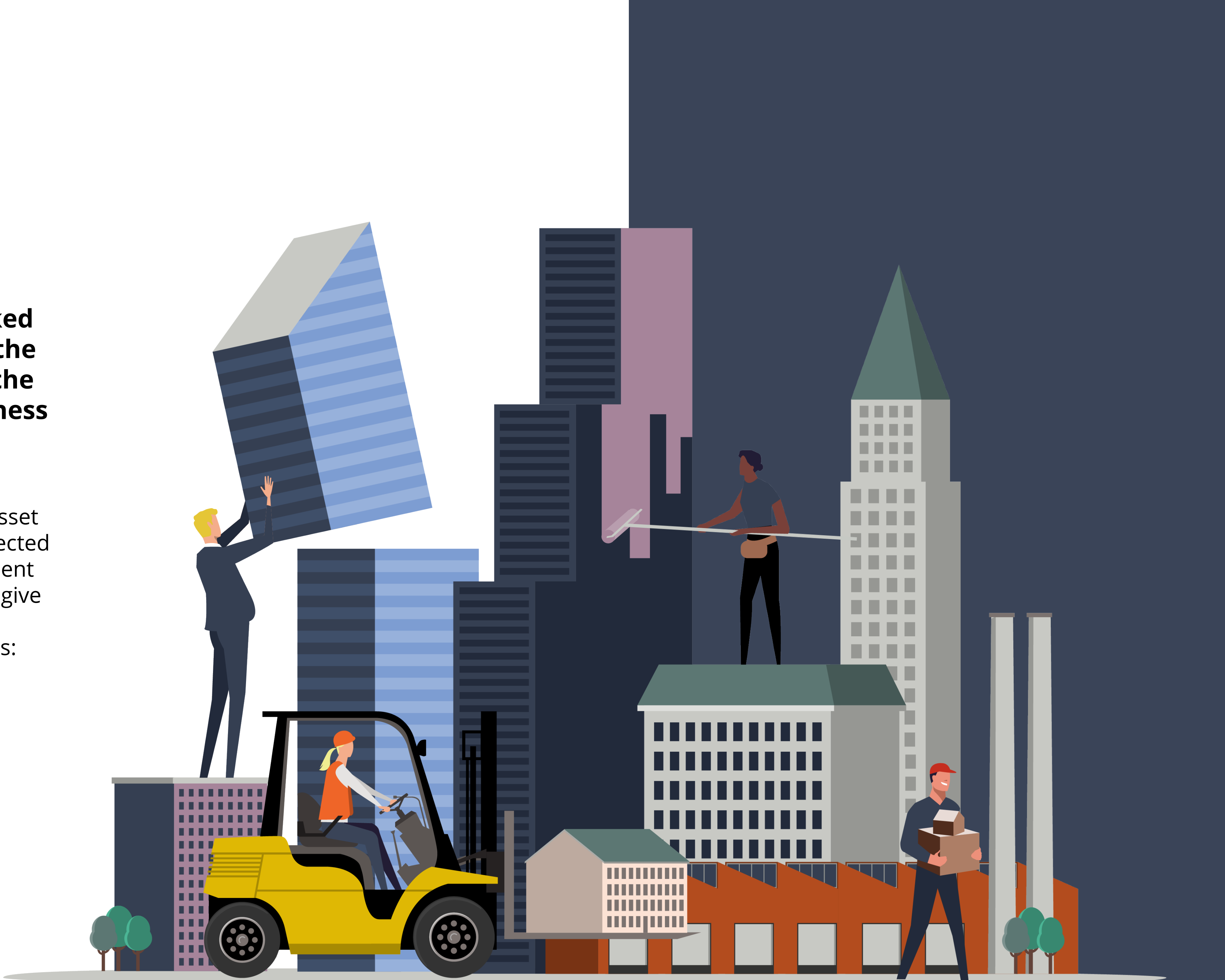
Pre-roll kick-off

AVISON YOUNG

City of Calgary Pre-Roll Kick-off

The 2023 property tax season kicked off on Tuesday, October 4th with the "Pre-Roll Symposium," hosted by the City of Calgary's Assessment Business Unit (ABU).

The symposium, consisting of 30-minute market update segments for each major asset type, serves as an early look-in on the expected changes to values and the overall assessment base for the upcoming tax year. Below we give a brief overview of the City of Calgary's perception of each of the major asset types:



Office

Overall, from July-2021 to July-2022, the office market saw high quality buildings hold their value, whereas lesser quality properties decreased in value.

In the Suburban market, rental rates for all quality of buildings remained essentially unchanged, whereas vacancies for all quality classes have seen a year-over-year increase. These higher vacancy rates impacted suburban values.

The general office trend in Downtown and the Beltline is stability and a ‘flight to quality’. In both of these markets, AA buildings saw rental rate increases and vacancy rate decreases. The AA and A class valuations have seen the largest impact from the Bow transaction. Capitalization rates in these classes have dropped 0.5% which is resulting in the A class seeing increases in total value above 10% and the AA class seeing value increases over 20%. B and C class properties have seen a slight decrease in value as tenants on expiring leases have moved to higher quality buildings. These higher vacancy rates impacted values for lower quality properties in both districts.

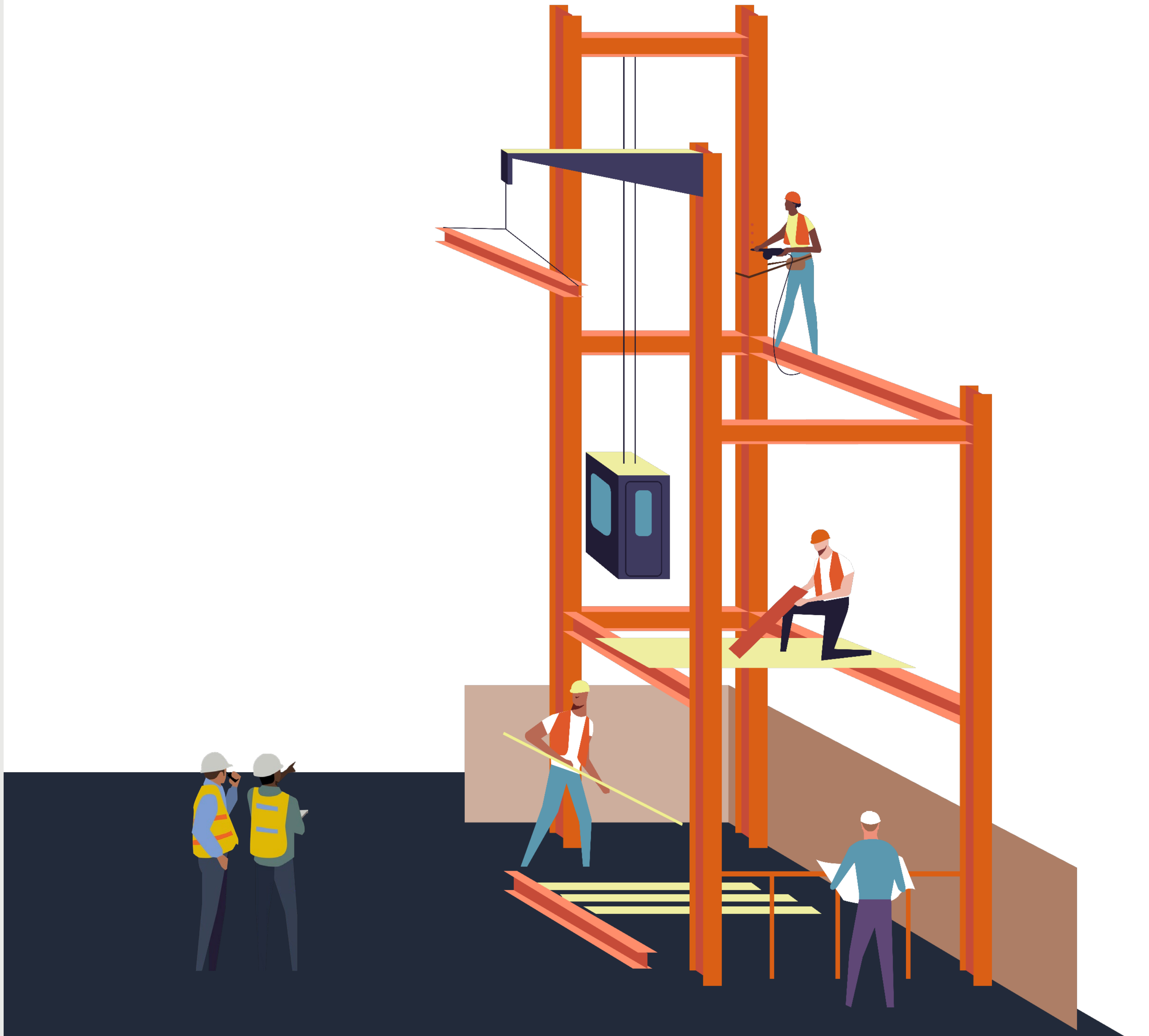
Industrial

The Industrial market continues to be the most reliable and stable asset class in the City of Calgary. Freehold warehouses and industrial condos of virtually all sizes will experience increasing assessment values of 5%-10%, with some specific size ranges and formats seeing much larger increases. Industrial development within the city has also seen a significant ramp up as demand for space exceeds supply pushing the assessed values on new developments even higher. This trend will to continue with many major developments slated for completion over the next few years.

With a valuation date of July 1st, 2022 the Assessment Business Unit does not see the impact of rising interest rates spilling into transactions market yet as the gap between the cost of borrowing and inferred capitalization rates continues to narrow. It is expected that this will start to show up in 2024 assessments, but not sooner.

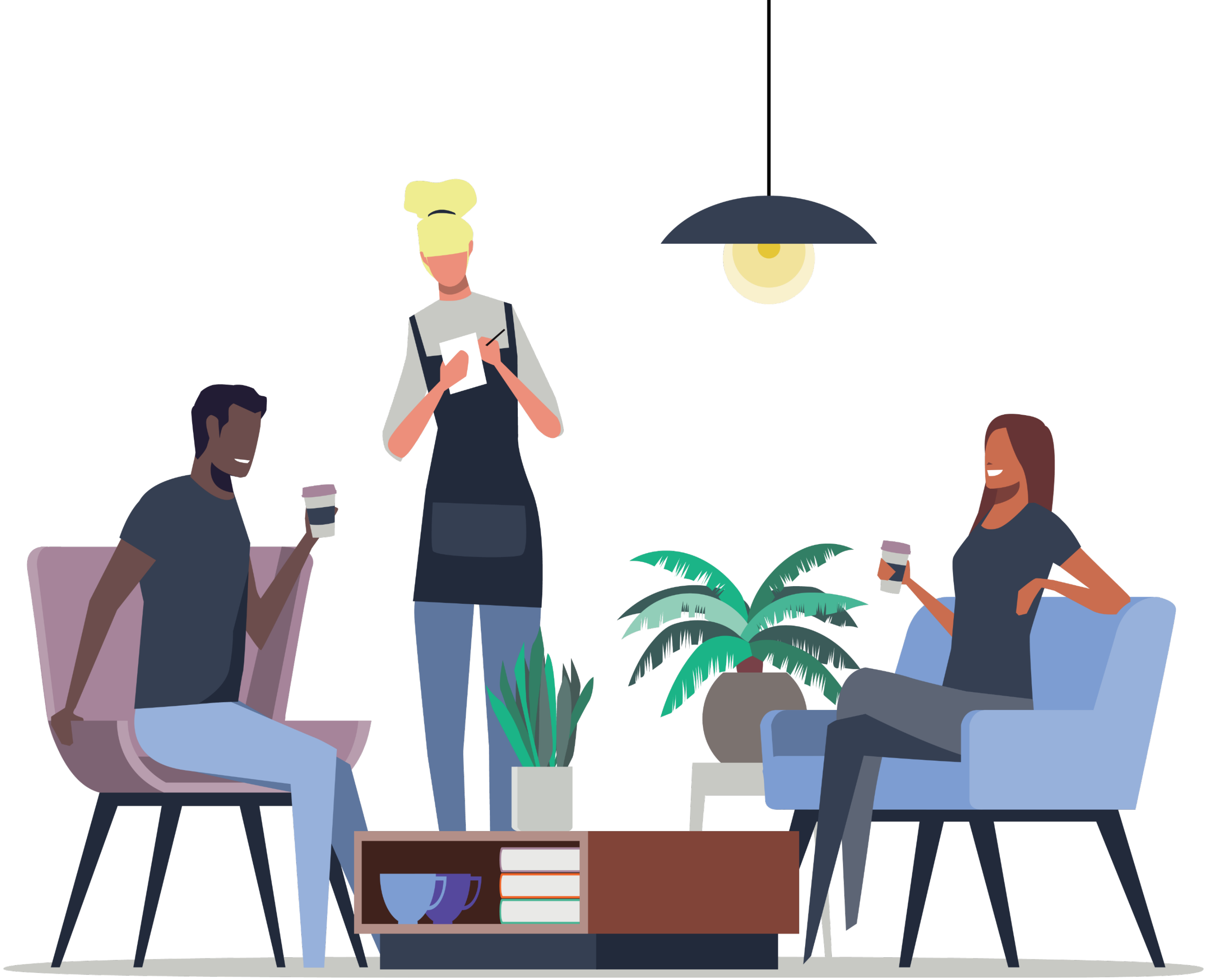
Commercial/industrial land

Vacant commercial land in the downtown core and Beltline will see modest value changes going into 2023. Some areas of downtown, including “Chinatown” and “DT2” are set to see 5% increases in base land rates, whereas prime downtown land “DT1” will see a 5% decrease in base rates. In the Beltline, most areas will see modest decreases in value as most market zones have dropped 5%-10% year over year. Commercial land outside the downtown core will remain relatively stable, with some minor changes to diminishing returns related to parcel size on the larger end of the spectrum. Industrial land rates will also remain relatively stable year over year, with the exception of the “South Foothills” market area where increased demand for development land will cause rates to rise, particularly in the 10-20 Acre size range and beyond.



Retail

The retail market is experiencing an increase in overall contribution to the total assessment pool, increasing to 32.9% as portion of tax base, up from 26% in 2018. Marda Loop has been specifically identified and assessed at its own rates in 2023, due to a marked increase in leasing activity. This area specifically will see main floor and restaurant rates in the range of $40 - $44 for AA and A class properties. AA quality big box and supermarket stores are also being assessed with higher rental rates than the B class properties, which is new for 2023. A collection loss of 1.0% is now only applied to enclosed malls and theatres. Overall, retail properties are expected to see increases in value in this taxation year.



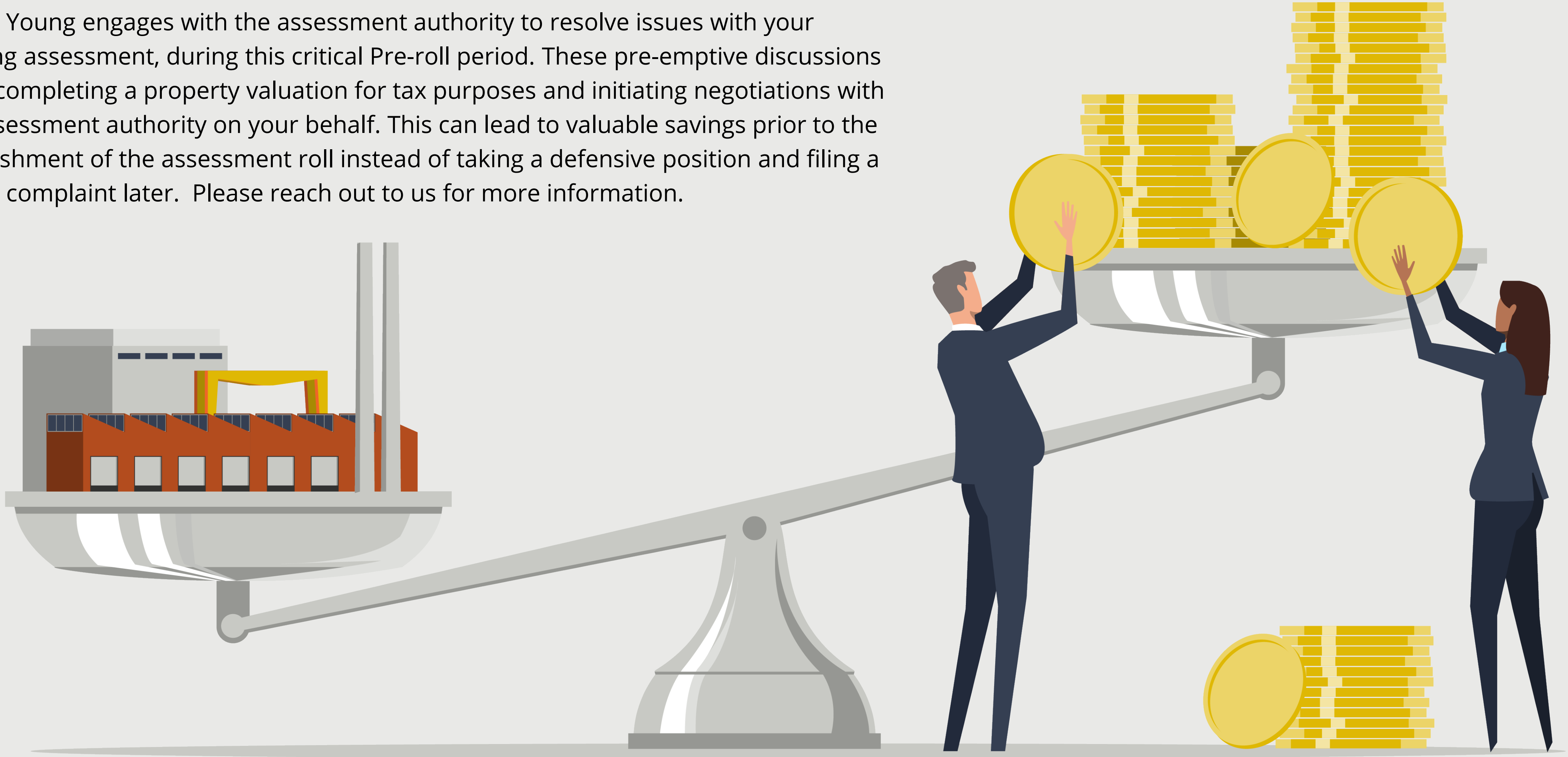
Multifamily

The Multi-Family asset class is separated into the following categories: low-rise (2-4 storey walk-ups), high-rise (5 storeys and up), townhouses, fourplexes, and other. High-rise properties represent 9.0% of the total number of buildings in inventory, but makes up 43% of the 2023 Multi-Family Assessed Values. Based on increases in rent and decreased vacancy in all asset classes, assessed values for all classes are increasing for 2023, most with a double-digit increase. Low-rise properties are on average increasing by 13.9%, high-rise by 15.5%, and townhouses by 16.8%. Overall, the average increase for all multifamily properties is 13.1%.

Strategic Solutions

What you always get from us

Avison Young engages with the assessment authority to resolve issues with your pending assessment, during this critical Pre-roll period. These pre-emptive discussions entail completing a property valuation for tax purposes and initiating negotiations with the assessment authority on your behalf. This can lead to valuable savings prior to the establishment of the assessment roll instead of taking a defensive position and filing a formal complaint later. Please reach out to us for more information.



For more information
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