

The background of the slide features a photograph of the Calgary Tower, a prominent landmark in Calgary, Alberta, Canada. The tower is a tall, cylindrical concrete structure with a distinctive observation deck at the top, which is painted in red and white. To the left of the tower, a modern glass skyscraper with a complex, geometric facade is visible. The sky is a pale, hazy blue, suggesting a clear day. The overall scene is a cityscape at dusk or dawn.

# Greater Calgary investment review

Q3 and Q4 2023

**AVISON  
YOUNG**

## Investment activity slowing down

Market challenges have widened the bid-ask spread between buyers and sellers, creating difficulty in reaching a consensus. Real estate fundamentals remain sound and investment volumes are anticipated to rebound in 2024.

**\$1.37B**

total commercial real estate investment volume during H2 2023  
**down 25% from first half 2023**

**233**

total transactions in H2 2023 across the Greater Calgary Area (GCA)  
**down 28% from H1 2023**

**\$330M**

industrial, number one asset class by volume  
**up 4% from H1 2023**

**\$294M**

residential land, number two asset class by volume  
**up 29% from H1 2023**

# Investment market trends

## 01

### Market sales sustain momentum amid pricing challenges

H2 2023 saw a 25% decrease in GCA's overall investment volume to \$1.37 billion, representing a 41% decline from H2 2022. Across all asset classes, sales and dollar volumes declined, with residential land and industrial being the exception.

#### Our take on this trend...

A slowed transaction pace in the GCA market is evident as conditions create a bid-ask spread between buyers' and sellers' pricing expectations. Nonetheless, there is still abundant capital for well-suited properties, with many sales still in progress.

## 02

### Interest rate uncertainty caused demand to lower across asset classes

The Bank of Canada raised interest rates from 0.50% in early 2022 to 5% by late 2023, a measure taken to address inflation. Inflation peaked at 8.10% in 2022 but decreased to 3.40% by the end of 2023.

#### Our take on this trend...

In 2023, rising interest rates led to declining sales across various asset classes as investors deliberated capital expenditure, weighing potential returns against waiting for a market cooldown. With announced rate cuts in spring and summer 2024, we anticipate a resurgence in demand, drawing more investors into the market.

## 03

### Alberta's population surge fuels multi-residential boom

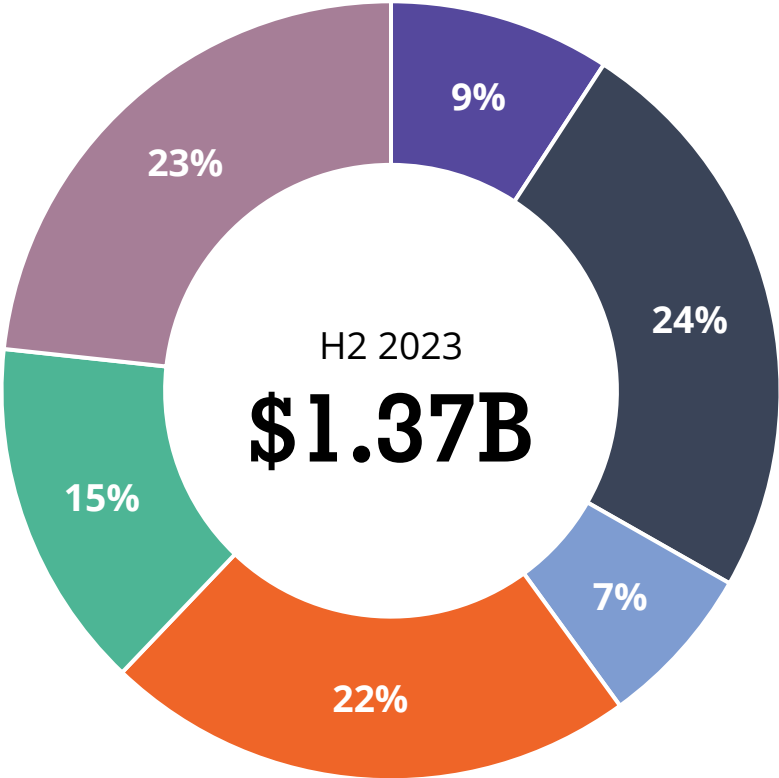
The GCA grew by 1.5%, now hosting 1.66 million residents—a 25,000 increase since 2022. This surge in population has escalated the demand for housing in the region, especially in the multi-residential sector.

#### Our take on this trend...

Despite recent rate hikes, Alberta's multi-residential sector is thriving, fueled by robust population growth and the appeal of lower living and construction costs. This surge aligns with an influx of individuals moving to Alberta, paired with the government's 'Alberta is Calling' initiative, incentivizing migration and fostering economic growth within the province.

# Greater Calgary investment activity

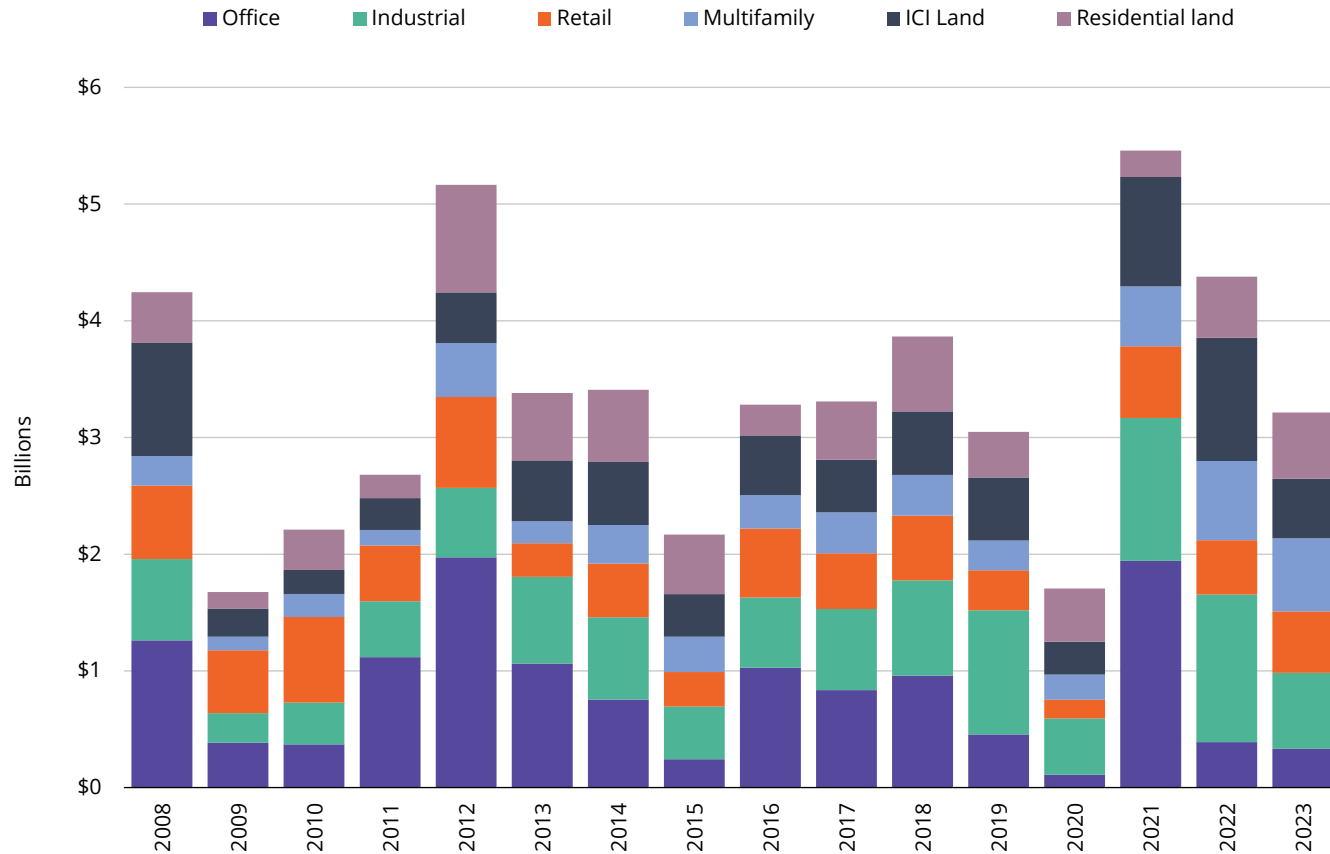
Semi-annual investment volume (\$)



	Q4 2023	Previous quarter Q3 2023	Previous year Q4 2022
Office	\$108.7M	\$17.7M	\$112M
Industrial	\$103.3M	\$227M	\$325M
Retail	\$10.8M	\$82.1M	\$117M
Multifamily	\$151.5M	\$152.6M	\$80.7M
ICI land	\$88.8M	\$111.5M	\$272M
Residential land	\$127.3M	\$192.7M	\$198M
<b>Total</b>	<b>\$590.5M</b>	<b>\$789.9M</b>	<b>\$1.106B</b>

# Greater Calgary investment market indicators

## GCA investment volume



Source: Altus Data Studio

2023 sales activity returned to more normalized transaction levels from recent post-pandemic highs. Investors are adjusting to a new reality of higher capital costs.

The industrial and multi-family sectors remain the preferred asset classes among real estate investors.

# Office

## Shifting dynamics with reduced incentives and budget caps dampen office space appeal in H2 2023

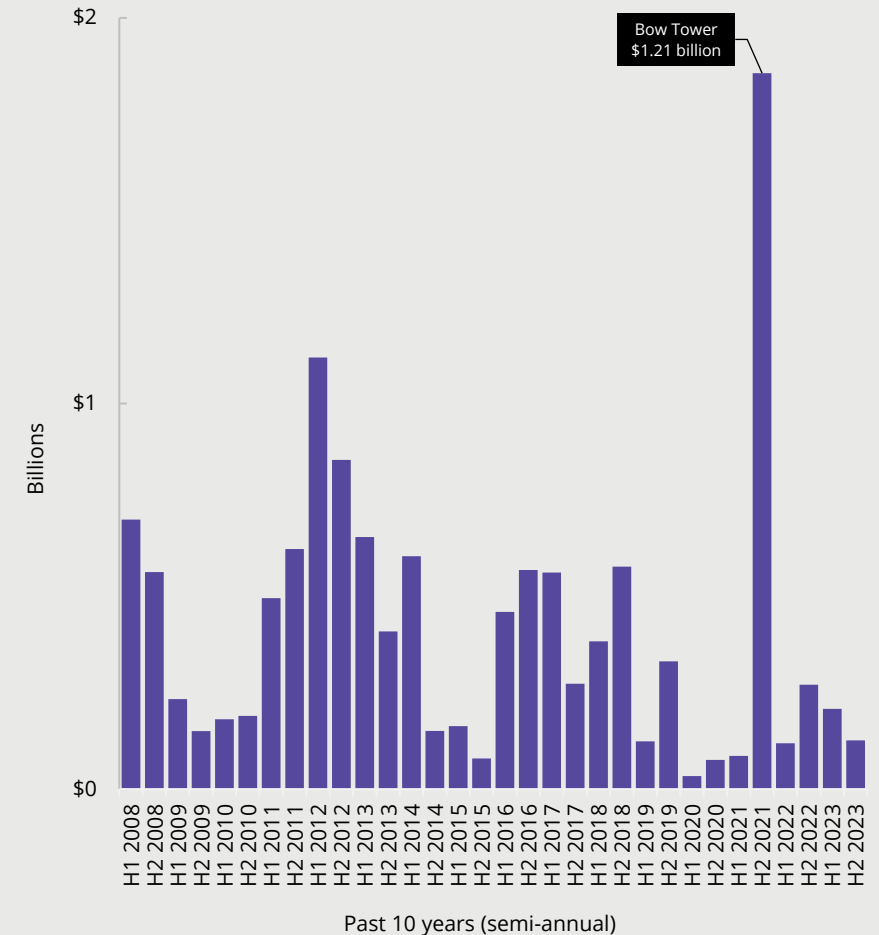
The office market underperformed in the second half of 2023 as investment declined 39% to \$126 million, amounting to 9% of the GCA total. Additionally, the number of transactions declined with 18 sales in the office market. The largest transaction, Altius Centre, sold for \$20 million by Choice Properties REIT, accounting for 16% of total office volume.

In the second half of 2023, interest in office space declined due to capped city incentives for conversions. Key investors are targeting office spaces for rental market gains, yet by year-end, the city capped its budget for the office-to-residential program to 13 projects, and four more awaiting approval. Rising lending costs prompt investors to cautiously reassess their positions in the office market.

### Significant sale transactions for Q3 and Q4 2023

Name and address	Market	Sale price / \$psf	Buyer	Seller
Altius Centre 504 4 Ave SW	Downtown	\$20,000,000 / \$61	Armco Capital Inc.	Choice Properties REIT
Park Centre 1122 4 St SW	Beltline	\$8,500,000 / \$68	Enright Capital	Manulife
Atrium VII 340 Midpark Way SE	Midnapore	\$8,225,000 / \$81	Petwin Properties	Epic Investment Services
Stepper Centre 120 Country Hills Landing NW	Northwest	\$6,555,000 / \$317	2374837 Alberta Ltd.	Stepper Homes
1401 1 St SE	Southeast	\$5,955,000 / \$189	Fueling Brains Academy	M-Tech Properties Inc.

## Office investment volume



Source: Altus Data Studio



# Industrial

## Interest rate surge limits industrial sales in 2023

The industrial market experienced a slight upturn in the second half of 2023, with a 4% increase in investment to \$330 million (24% of GCA total). Of 49 transactions, Balzac held the largest deal at 292177 Crosspoint Rd, which was sold for \$38.7 million by Skyline Commercial REIT. This contributed 12% to total industrial volume for H2 2023.

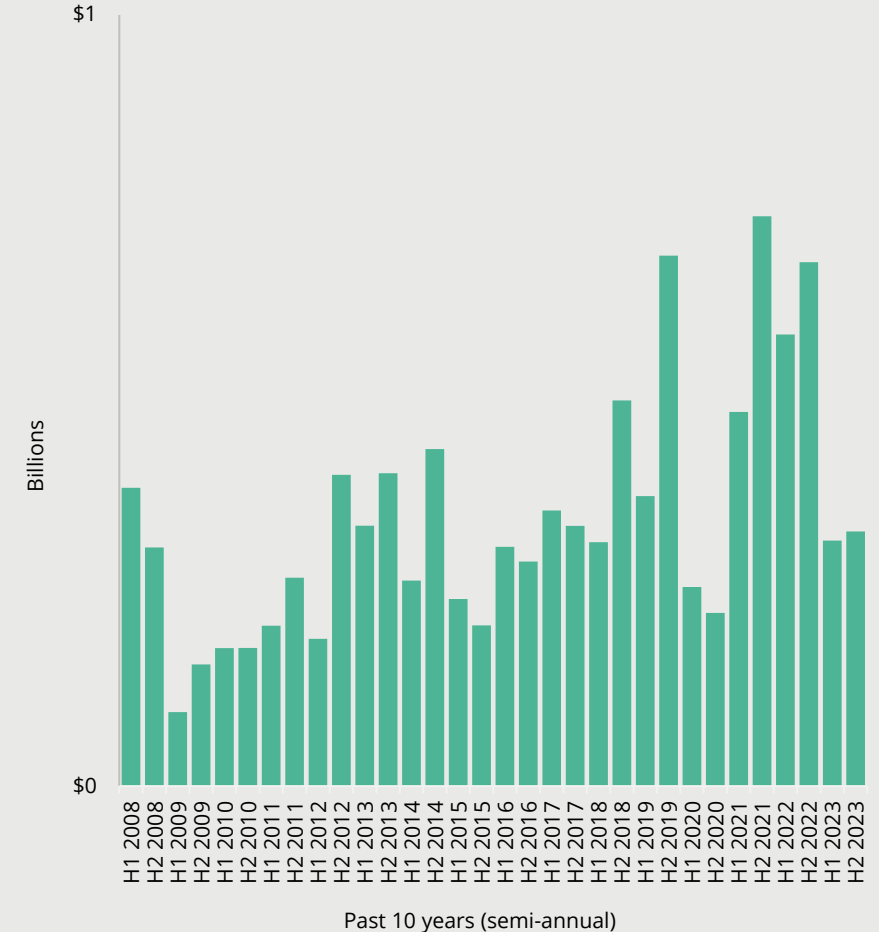
Despite minor fluctuations in sales volume compared to H1 2023, the industrial sector

remained stable throughout 2023. The decline from the previous year can be attributed to the shift in interest rates, rising from 0.5% in 2022 to 5.0% by the end of 2023—an increase of 4.5%. This substantial rise in lending costs has discouraged investors from acquiring industrial properties, given the already elevated dollar volumes associated with such assets, resulting in an overall increase in investment costs for purchasers.

## Significant sale transactions for Q3 and Q4 2023

Name and address	Market	Sale price / \$psf	Buyer	Seller
292177 Crosspointe Rd	Balzac	\$38,730,749 / \$106	Brandt Agriculture	Skyline Commercial REIT
Deerpoint Tech Centre 7911 8 St NE	Northeast	\$31,500,000 / \$174	Mancal Properties Inc.	Investors Group
Marlborough Industrial Park 3110 14 Ave NE	Northeast	\$28,300,000 / \$125	Trivan Capital Corporation	Lee Energy Systems Inc.
1616 27 Ave NE	Northeast	\$25,000,000 / \$121	AGAT Laboratories Ltd.	9802479 Canada Inc.
Great Plains Building 5498 76 Ave SE	Southeast	\$24,500,000 / \$153	XXIII Capital Inc.	Manulife Financial Corporation

## Industrial investment volume



Source: Altus Data Studio

# Retail

## Strategic positioning drives investors to seize opportunities in suburban Calgary and surrounding areas for maximum returns

The GCA retail market experienced a shift in the second half of 2023, with a 79% dip in investment to \$93 million (7% of GCA total). Transactions dropped to 27, and the largest deal was 914 11 St SE, selling for \$11.5 million and contributing 12% to total retail volume for the second half of 2023.

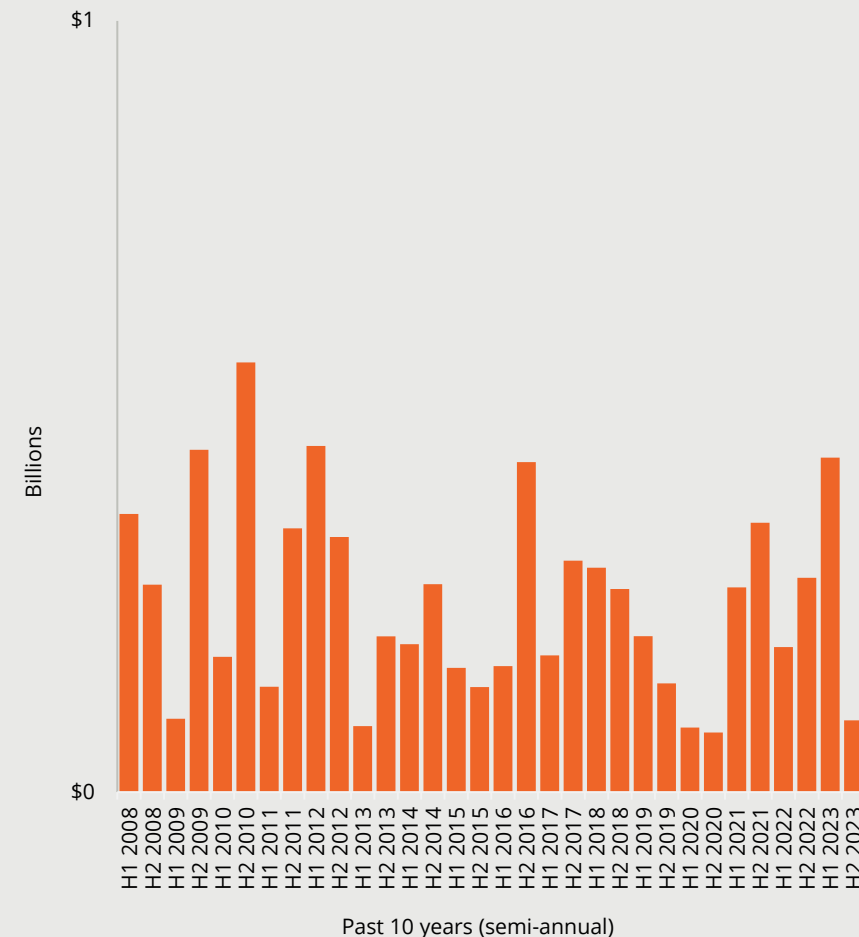
The bid-ask spread expanded significantly in 2023, presenting obstacles for potential buyers,

notably in retail. The surge in demand and prices surpassed investor comfort levels. Investors are increasingly drawn to developed buildings in suburban Calgary and surrounding areas, attracted by the cost-effective investment and heightened profit potential. Leveraging provincial population growth, the prevailing trend is to optimize returns while keeping out-of-pocket expenditure in check.

### Significant sale transactions for Q3 and Q4 2023

Name and address	Market	Sale price / \$psf	Buyer	Seller
914 11 St SE	Southeast	\$11,500,000 / \$259	Cam Clark Ford	Kane's Motor Cycle Shop Ltd.
125 Banff Ave	Banff	\$11,250,000 / \$919	125 Banff Avenue Properties Limited	Hudson's Bay Company ULC
2608 39 Ave NE	Northeast	\$7,900,000 / \$737	2521239 Alberta Ltd.	Hopewell Business Park GP Corp.
4039 Brentwood Rd NW	Northwest	\$7,000,000 / \$162	Peerless Training Institute Inc.	Rocky Mountain College: A Centre for Biblical Studies
210 61 Ave SW	Southwest	\$6,300,000 / \$530	Ronmor Developers	Calgary Co-op

## Retail investment volume



Source: Altus Data Studio



# Multifamily

## Alberta’s multifamily resilience shines through cost and rate pressures

The multifamily market remained strong, only seeing a slight dip in the second half of 2023, with a 6% decrease in investment to \$225.7 million (22% of GCA total). Despite a stable transaction count, the largest deal was The Pinnacle, selling for \$58 million and representing 19% of the total multi-family volume for H2 2023.

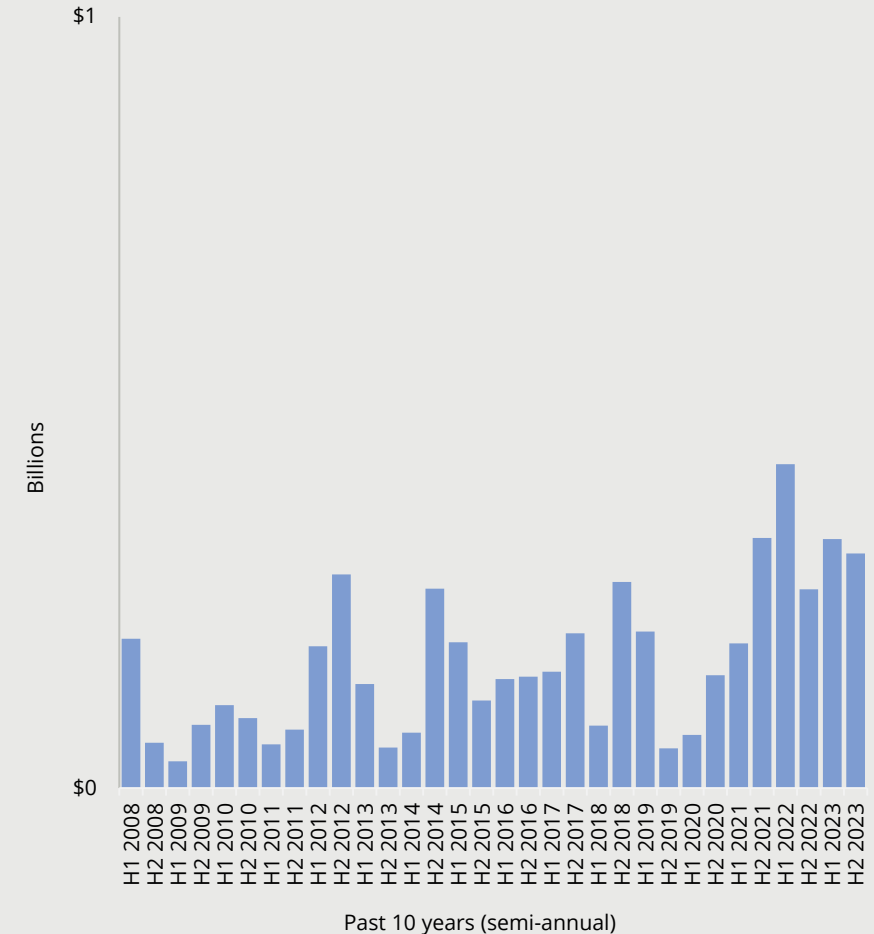
Amidst mounting lending costs and construction

challenges, the multifamily sector in Alberta remains positioned for growth. The appeal lies in the province's attractiveness to a growing population, driven by lower living expenses and the government-driven “Alberta is Calling” initiative launched in 2023. Despite the strain of higher interest rates, hovering at approximately 5% by year-end 2023, the multifamily market exhibits resilience, outperforming other asset classes in terms of activity and investor interest.

### Significant sale transactions for Q3 and Q4 2023

Name and address	Market	Sale price / \$ per unit	Buyer	Seller
The Pinnacle 9600 Southland Circle SW	Southwest	\$58,000,000 / \$208,633	Avenue Living	Morguard Corporation
Cedar Ridge Apartments 135 Lynnview Rd SE	Southeast	\$53,880,000 / \$204,867	Empirio Capital	CAPREIT
Credo Apartments 1820 26 Ave SW	Southwest	\$20,100,000 / \$320,000	Centurion Asset Management Inc.	Traine Construction & Development
Edinburgh House 1239 12 Ave SW	Southwest	\$20,100,000 / \$176,316	Surefire Properties Inc.	2255219 Alberta Ltd.
The Aster 338 Banff Avenue	Banff	\$18,400,000 / \$557,576	Banff Housing Corporation	His Majesty in Right of Canada as Represented by the Minister of Environment

## Multi-residential investment volume



Source: Altus Data Studio

# ICI land

## Investors flock to land opportunities as untouched parcels offer profitable prospects

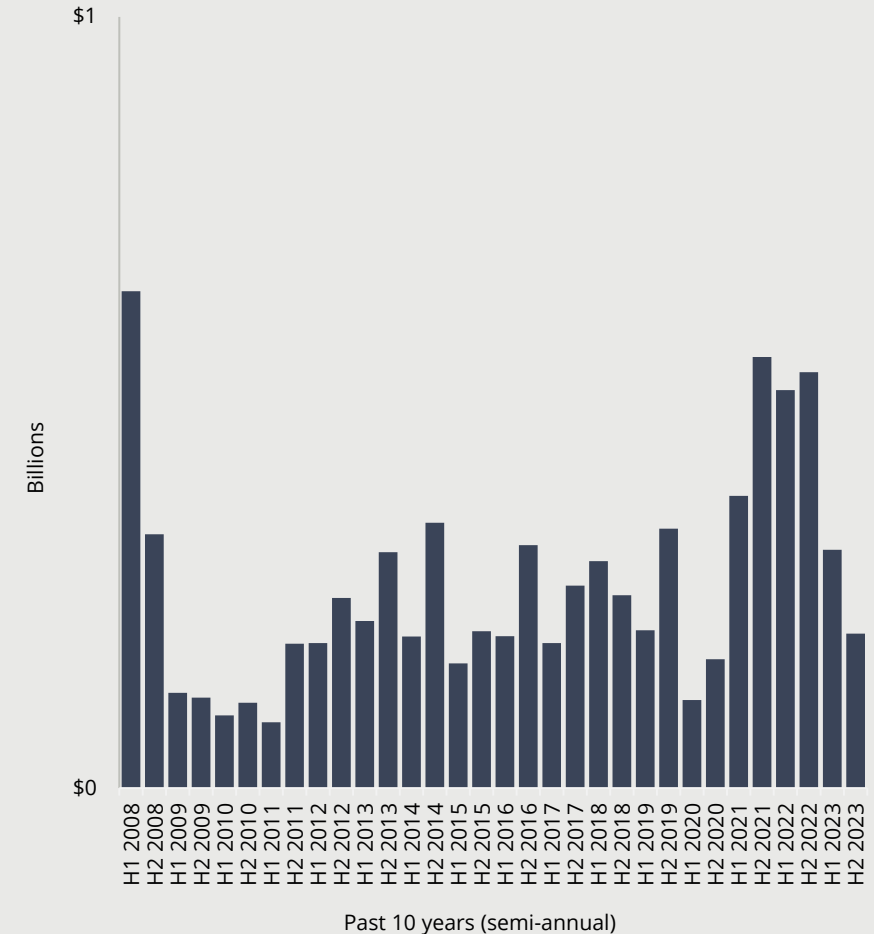
Land sales dropped in H2 2023, with a 35% dip in investment volume to \$200 million (15% of GCA total). Transactions declined to 61, and the largest deal was in De Winton, where SE-34-21-1-5 & NW-22-21-2-5 250079 Highway 552 West sold for \$46.9 million by Corus Radio Inc. making up 7% of the total land volume for H2 2023.

Despite a decline in land sales, investors continue to favor this option for its rising profitability potential in new developments, complemented by increasing rental rates. Untouched land gains value as its lower costs outweigh those associated with developed plots, making it an attractive choice. Creative freedom adds to the appeal, especially as rising costs prompt investors to carefully weigh the investment risk.

### Significant sale transactions for Q3 and Q4 2023

Name and address	Market	Sale price / \$ per acre	Buyer	Seller
SE-34-21-1-5 & NW-22-21-2-5 250079 Highway 552 West	De Winton	\$15,000,000 / \$38,256	Corus Radio Inc.	Corus Premium Corporation
Stampede Station 232 15 Ave SE	Southeast	\$9,500,000 / \$5,397,727	CRE Stampede Station Ltd	Stampede Station Condos (Calgary) Inc
NW-24-26-1-5 Range Road 11 & Township Road 264	Airdrie	\$7,000,000 / \$50,000	Pyramid Homes	MCG Law
Merganser Drive West & Chestermere Boulevard	Chestermere	\$5,810,000 / \$1,400,000	Luxuria Homes	City View Homes Ltd.
200 High Plains Landing	Balzac	\$5,700,000 / \$475,000	Highfield Investment Group	CLT Alternatives

## ICI land investment volume



Source: Altus Data Studio

# Residential land

## Profitable trends propel developers to fast-track residential construction plans

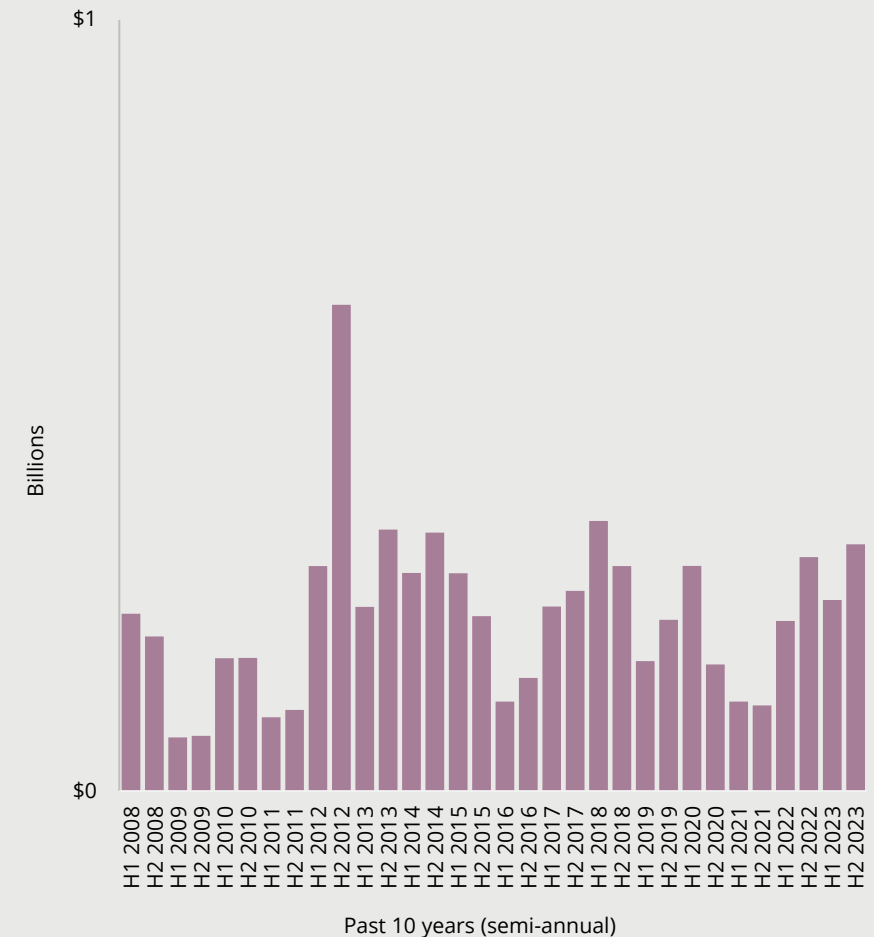
Residential land sales increased in the second half of 2023, with a 29% growth in investment volume to \$320 million (23% of GCA total). However, the number of transactions fell to 40, and the largest deal was 18800 52 St SE & 19605 72 St SE, which sold for \$70 million by Danube Farming Ltd. This \$70 million transaction made up 22% of the total residential land volume for the second half of 2023.

The allure of residential land is on the rise, spurred by the profitable landscape for home sellers in the current market. Developers are eager to capitalize on this opportunity by constructing new homes in emerging communities. In December 2023, the average home price reached \$540,000, reflecting a notable 9.1% increase from the previous year. Projections signal an ongoing upward trajectory in home prices as we approach 2024.

### Significant sale transactions for Q3 and Q4 2023

Name and address	Market	Sale price / \$ per acre	Buyer	Seller
18800 52 St SE & 19605 72 St SE	Southeast	\$70,000,000 / \$343,558	Rohit Group of Companies	Danube Farming Ltd.
21820, 21210 & 22720 56 St SE	Southeast	\$55,996,449 / \$160,310	Genesis Land Development Corp.	Genesis Land Development Corp.
683 & 697 9 Ave SE & 702 11 Ave SE	Beltline	\$46,990,864 / \$13,053,018	The City of Calgary	Remington Development Corporation
10600 178 Ave SE & 17950, 18000 & 18770 104 St SE	Southeast	\$25,842,000 / \$56,515	Genesis Land Development Corp.	An individual(s) acting in his/her own capacity
2152 Mahogany Blvd SE	Southeast	\$10,584,000 / \$1,398,151	Jayman BUILT	Hopewell Group of Companies

## Residential land investment volume



Source: Altus Data Studio

# GCA investment market stats

## Investment sales volume

Investment Sales Volume	Total dollar volume	Q3 dollar volume	Q4 dollar volume	Total sales	Q3 sales	Q4 sales
Office	\$126,424,000	\$17,700,000	\$108,724,000	18	7	11
Industrial	\$330,274,283	\$227,017,503	\$103,256,780	49	32	17
Retail	\$92,975,680	\$82,145,680	\$10,830,000	27	22	5
Multifamily	\$304,193,126	\$152,653,776	\$151,539,350	38	25	13
ICI land	\$200,420,137	\$111,533,132	\$88,887,005	61	45	16
Residential land	\$320,054,389	\$192,735,589	\$127,318,800	40	18	22

## Investment sales parameters

	Total size	Q3 size	Q4 size	Average price per (sf/unit/acre)	Q3 price per (sf/unit/acre)	Q4 price per (sf/unit/acre)
Office	1,235,378 sf	75,939 sf	1,159,439 sf	\$163 per sf	\$233 per sf	\$94 per sf
Industrial	1,627,494 sf	1,178,309 sf	449,185 sf	\$211 per sf	\$193 per sf	\$230 per sf
Retail	237,510 sf	211,513 sf	25,997 sf	\$402 per sf	\$388 per sf	\$417 per sf
Multifamily	1,192 units	524 units	668 units	\$259,090 per unit	\$291,324 per unit	\$226,855 per unit
ICI land	3,203 acres	2,557 acres	646 acres	\$90,633 per acre	\$43,619 per acre	\$137,647 per acre
Residential land	1,278 acres	593 acres	685 acres	\$255,495 per acre	\$325,018 per acre	\$185,973 per acre

For more market insights  
and information visit  
**avisonyoung.com**

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