

2023 YEAR-END CALGARY MARKET OVERVIEW

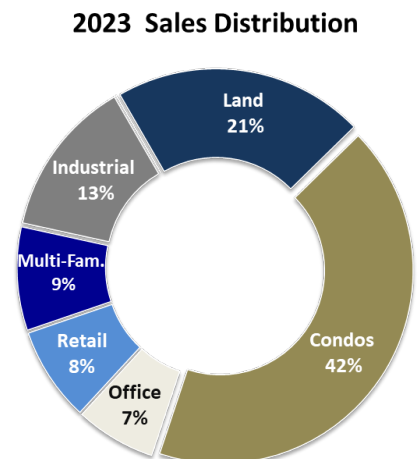
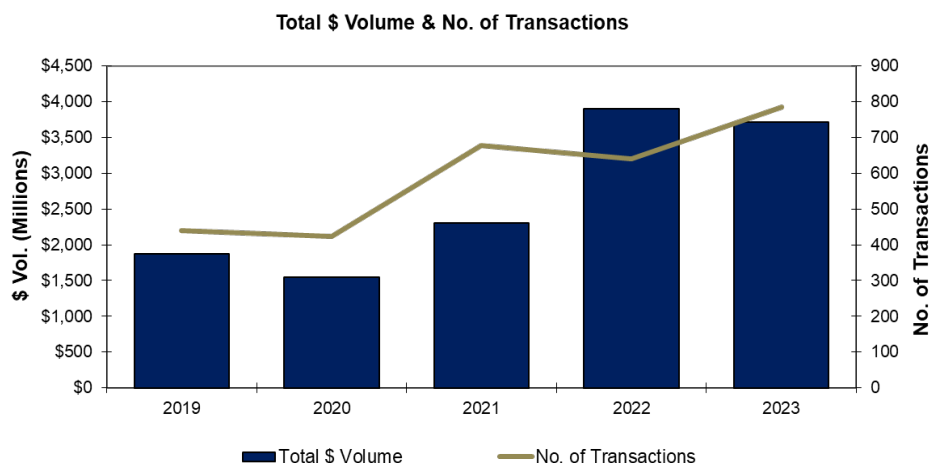
FEBRUARY, 2023

Building on an incredible volume of commercial real estate investment through the first nine months of 2023, investors placed an additional \$774.6 million into the Calgary market during the final quarter of the year. As a result, total year-over-year dollar volume exceeded \$3.7 billion. This calculates as a year-over-year decrease, but that's due to the sale of The Bow for \$1.2 billion in the first quarter of last year, which severely skewed investment numbers. Stripping out The Bow, year-over-year commercial investment was up across all asset classes.

Fueling investment were land sales and purchases of industrial properties, which garnered \$889 million and \$852.6 million, respectively. A powerful appetite for multi-family assets brought more than \$657 million in dollar volume for the year. Slightly behind were retail sales, which totalled approximately \$611.9 million.

Bucking a multi-year trend, commercial office properties saw renewed demand as investors sought to take part in the City of Calgary's *Downtown Calgary Development Incentive Program*. This program provides incentives for owners of older, less desirable commercial office towers and repurpose them to create residential developments. A multi-year record number of transactions took place in this asset class and brought overall dollar volume to a five-year high.

| | 2020 | 2021 | 2022 | 2023 |
|-------------------------|-----------------|-----------------|-----------------|-----------------|
| <u>Land</u> | | | | |
| Total \$ Value: | \$400,334,338 | \$474,441,263 | \$594,605,538 | \$889,154,566 |
| No. of Transactions: | 80 | 78 | 115 | 165 |
| <u>Buildings</u> | | | | |
| Total \$ Value: | \$1,144,698,024 | \$1,828,676,341 | \$3,306,914,716 | \$2,819,466,074 |
| No. of Transactions: | 343 | 599 | 525 | 620 |
| <u>Totals</u> | | | | |
| Total \$ Value: | \$1,545,032,362 | \$2,303,361,604 | \$3,901,520,254 | \$3,708,620,640 |
| No. of Transactions: | 423 | 677 | 640 | 785 |



Commercial & Industrial Condo Sales Activity Highlights.

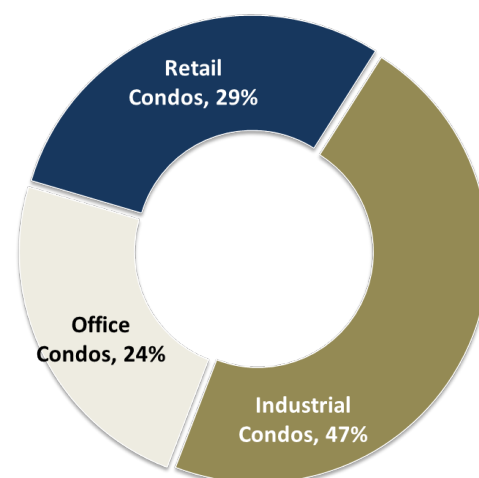
| | 2020 | 2021 | 2022 | 2023 |
|--------------------------|---------------|---------------|---------------|---------------|
| Office Condos | | | | |
| Total \$ Value: | \$27,599,033 | \$47,825,093 | \$47,219,380 | \$47,130,590 |
| No. Of Transactions: | 44 | 83 | 71 | 79 |
| Avg. Price/sq.ft. | \$313/sq.ft. | \$265/sq.ft. | \$299/sq.ft. | \$330/sq.ft. |
| Retail Condos | | | | |
| Total \$ Value: | \$68,748,378 | \$75,578,540 | \$87,409,310 | \$98,300,002 |
| No. Of Transactions: | 72 | 77 | 78 | 98 |
| Avg. Price/sq.ft. | \$474/sq.ft. | \$451/sq.ft. | \$511/sq.ft. | \$492/sq.ft. |
| Industrial Condos | | | | |
| Total \$ Value: | \$76,848,067 | \$146,242,117 | \$47,219,380 | \$141,653,434 |
| No. Of Transactions: | 91 | 189 | 142 | 156 |
| Avg. Price/sq.ft. | \$246/sq.ft. | \$256/sq.ft. | \$256/sq.ft. | \$275/sq.ft. |
| Totals | | | | |
| Total \$ Value: | \$173,195,478 | \$269,645,750 | \$256,170,394 | \$287,084,026 |
| No. Of Transactions: | 207 | 349 | 291 | 333 |

After a small year-over decrease in transactions through 2022, investors were back in a big way in 2023 with an additional 42 commercial condominium purchases completed. The overall increase was seen across all three formats, with retail condos posting the greatest increase from 2022 levels.

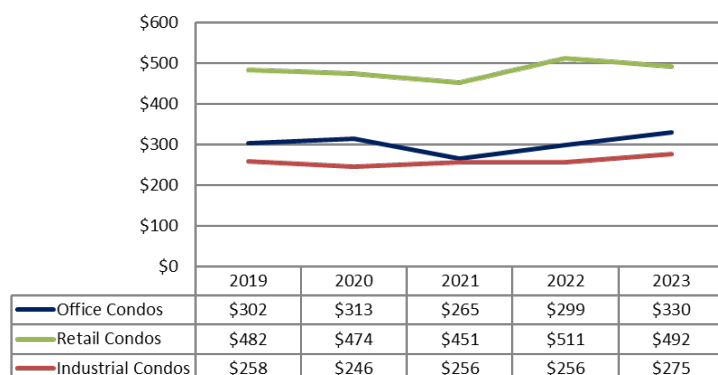
The year began with increased year-over-year sales of just under \$63 million and in transitions both sales and dollar volume. Both metrics remained strong through the balance of the year, with fourth quarter sales totalling \$57.8 million over 69 transactions. 2023 marked the third consecutive year of increased investment in this sector.

Industrial condos remained in high demand but over the course of the year, investors demonstrated a strong appetite for retail condominium units and at year-end, this format posted a fourth consecutive year of sales increases.

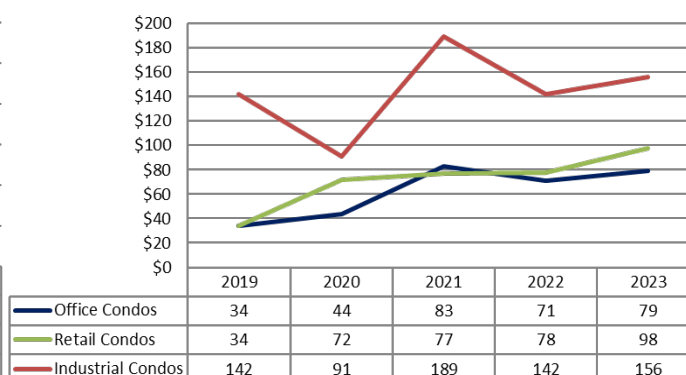
Commercial Condo Sales Distribution



Condo Average Unit Price



Commercial Condo Transactions



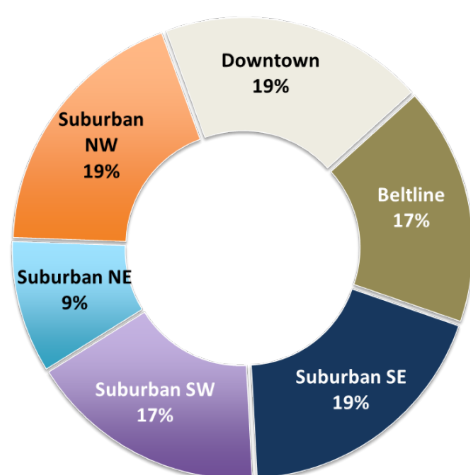
Office Sales Activity Highlights.

| | 2020 | 2021 | 2022 | 2023 |
|-------------------------------|---------------|---------------|----------------|---------------|
| <u>Suburban Office</u> | | | | |
| Total \$ Value: | \$105,407,000 | \$114,918,917 | \$145,161,653 | \$219,741,347 |
| No. Of Transactions: | 15 | 29 | 18 | 34 |
| Avg. Price/sq.ft. | \$234/sq.ft. | \$238/sq.ft. | \$288/sq.ft. | \$335/sq.ft. |
| <u>Beltline Office</u> | | | | |
| Total \$ Value: | \$88,675,000 | \$4,135,000 | \$21,012,693 | \$45,454,000 |
| No. Of Transactions: | 4 | 2 | 7 | 9 |
| Avg. Price/sq.ft. | \$234/sq.ft. | \$189/sq.ft. | \$320/sq.ft. | \$157/sq.ft. |
| <u>Downtown Office</u> | | | | |
| Total \$ Value: | \$34,200,000 | \$16,545,245 | \$396,500,000 | \$145,580,000 |
| No. Of Transactions: | 2 | 3 | 8 | 10 |
| Avg. Price/sq.ft. | \$92/sq.ft. | \$228/sq.ft. | \$201/sq.ft. | \$80/sq.ft. |
| <u>Totals</u> | | | | |
| Total \$ Value: | \$228,282,000 | \$135,599,162 | \$1,562,674,34 | \$410,775,347 |
| No. Of Transactions: | 21 | 34 | 6 | 53 |

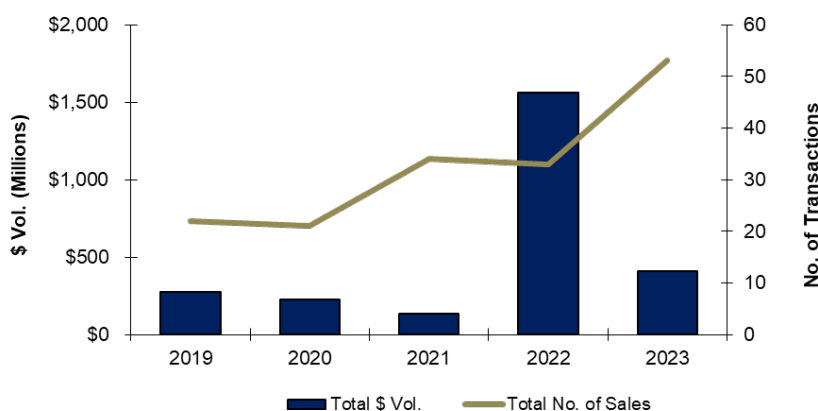
As noted earlier in this report, 2023 represents a multi-year high for office sector investment, outside of The Bow transaction in early 2022. The second quarter was by far the strongest period of 2023, with 20 office building transactions closing, totalling more than \$240.4 million. Nearly half the year's sales were completed in this quarter.

Supporting the strong office dollar volume was a historically high number of transactions, which haven't surpassed the low-40s since 2018. This uptick would seem to indicate true organic growth in demand for office assets.

Office Building Sales Distribution



Total Office Bldgs. \$ Value & No. Of Transactions



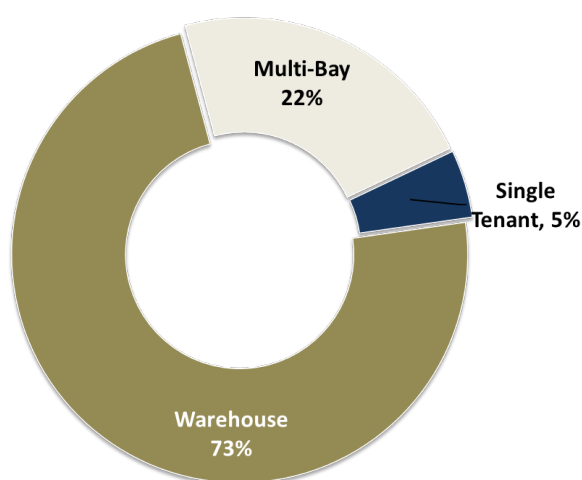
Industrial Sales Activity Highlights.

| | 2020 | 2021 | 2022 | 2023 |
|---------------------------------------|---------------|---------------|---------------|---------------|
| <u>Owner/User Warehouse</u> | | | | |
| Total \$ Value: | \$191,622,496 | \$341,138,249 | \$298,879,250 | \$284,143,788 |
| No. Of Transactions: | 48 | 81 | 67 | 76 |
| Avg. Price/sq.ft. | \$181/sq.ft. | \$195/sq.ft. | \$192/sq.ft. | \$233/sq.ft. |
| <u>Multi-Bay Warehouse</u> | | | | |
| Total \$ Value: | \$254,200,000 | \$82,950,000 | \$395,217,000 | \$516,453,000 |
| No. Of Transactions: | 11 | 14 | 28 | 23 |
| Avg. Price/sq.ft. | \$138/sq.ft. | \$157/sq.ft. | \$171/sq.ft. | \$140/sq.ft. |
| <u>Single-Tenant Warehouse</u> | | | | |
| Total \$ Value: | \$4,350,000 | \$137,138,180 | \$31,355,000 | \$51,982,500 |
| No. Of Transactions: | 1 | 9 | 5 | 5 |
| Avg. Price/sq.ft. | \$140/sq.ft. | \$211/sq.ft. | \$235/sq.ft. | \$315/sq.ft. |
| <u>Totals</u> | | | | |
| Total \$ Value: | \$450,172,496 | \$561,226,429 | \$725,451,250 | \$852,579,288 |
| No. Of Transactions: | 60 | 104 | 100 | 104 |

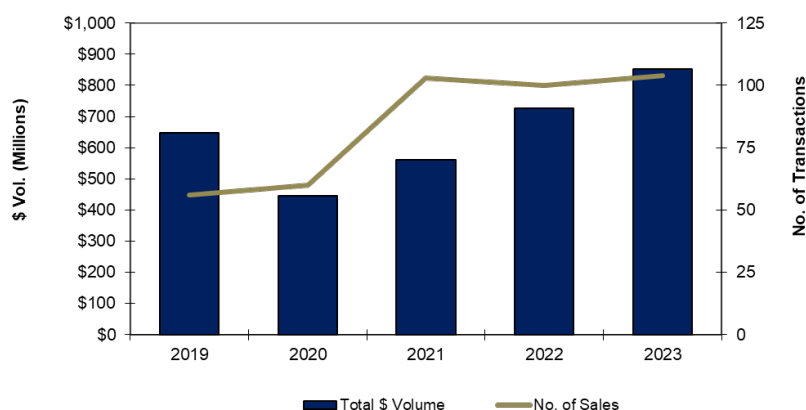
Industrial properties remained a popular and stable asset class for investors through the final quarter of 2023, with approximately \$184.6 million in sales closing in Q4. As noted in the above chart, year-over-year transactions were stable, while total dollar volume continued a multi-year, year-over-year increase rising by more than \$127 million. As shown in the bar chart at bottom, 2023 marked a five-year high for industrial investment.

Owner/User buildings accounted for nearly three quarters of the year's transactions and generated more than \$284 million in sales. The largest transaction in this group was the \$25 million purchase of 1616 27 Avenue NE by Delta Tek Enterprises Ltd. – the current tenant – for \$121/sf.

Industrial Sales Distribution



Total Industrial \$ Volume & No. of Transactions



Multi-Family Sales Activity Highlights.

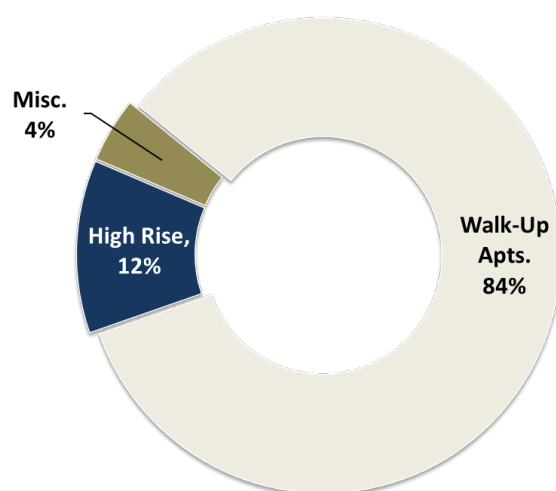
| | 2020 | 2021 | 2022 | 2023 |
|------------------------------------|-----------------|-----------------|-----------------|-----------------|
| <u>Walk-Ups</u> | | | | |
| Total \$ Value: | \$110,167,000 | \$193,859,100 | \$339,966,150 | \$340,591,310 |
| No. Of Transactions: | 24 | 43 | 51 | 57 |
| Avg. Price/Suite | \$212,000/suite | \$158,000/suite | \$179,000/suite | \$204,318/suite |
| Avg. Cap Rate % | 4.6% | 4.4% | 4.1% | 4.4% |
| <u>High-Rise Apartments</u> | | | | |
| Total \$ Value: | \$22,840,000 | \$38,723,953 | \$54,610,000 | \$250,425,000 |
| No. Of Transactions: | 3 | 3 | 3 | 8 |
| Avg. Price/Suite | \$195,000 | \$250,000/suite | \$276,000/suite | \$200,476/suite |
| Avg. Cap Rate % | 4.7% | 5.2% | 4.2% | 5.1% |
| <u>Misc.</u> | | | | |
| Total \$ Value: | \$58,375,000 | \$109,762,500 | \$26,515,000 | \$66,135,000 |
| No. Of Transactions: | 3 | 3 | 7 | 3* |
| <u>Totals</u> | | | | |
| Total \$ Value: | \$191,382,000 | \$342,345,553 | \$421,091,150 | \$657,151,310 |
| No. Of Transactions: | 32 | 50 | 59 | 68 |

*Misc – 2 Row Houses, 1 Assisted Living

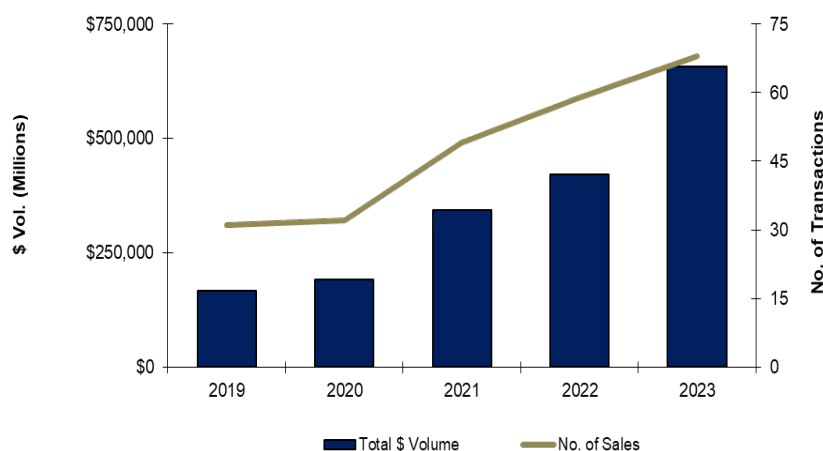
Investment in multi-family properties jumped significantly during the final quarter of 2023, with 18 additional transactions closing. These totalled \$201.3 million and solidified a substantial year-over-year increase in both dollar volume and sales activity. It should be noted that five sales of greater than \$50 million closed, comprising more than \$300 million between them. Two of those were Wyldewood Estates and The Pinnacle, both bought by Avenue Living from Morguard.

Prices per suite for walk-up format apartments continued a three-year, year-over-year increase while this metric for high-rise buildings moderated substantially.

Multi-Family Sales Distribution



Total Multi-Family \$ Volume vs No. of Transactions



Retail Sales Activity Highlights.

| | 2020 | 2021 | 2022 | 2023 |
|--------------------------------|---------------|---------------|---------------|---------------|
| <u>General Retail</u> | | | | |
| Total \$ Value: | \$54,414,050 | \$92,155,000 | \$66,274,950 | \$316,942,503 |
| No. Of Transactions: | 11 | 34 | 20 | 34 |
| <u>Shopping Centres</u> | | | | |
| Total \$ Value: | \$21,325,000 | \$336,284,447 | \$204,318,106 | \$191,410,000 |
| No. Of Transactions: | 4 | 13 | 15 | 12 |
| Avg. Cap Rate % | 5.4% | 5.5% | 6.1% | 6.3% |
| <u>Misc.</u> | | | | |
| Total \$ Value: | \$25,927,000 | \$91,420,000 | \$70,934,520 | \$103,523,600 |
| No. Of Transactions: | 8 | 12 | 7 | 16* |
| <u>Totals</u> | | | | |
| Total \$ Value: | \$101,666,050 | \$519,859,447 | \$341,527,576 | \$611,876,103 |
| No. Of Transactions: | 23 | 59 | 42 | 62 |

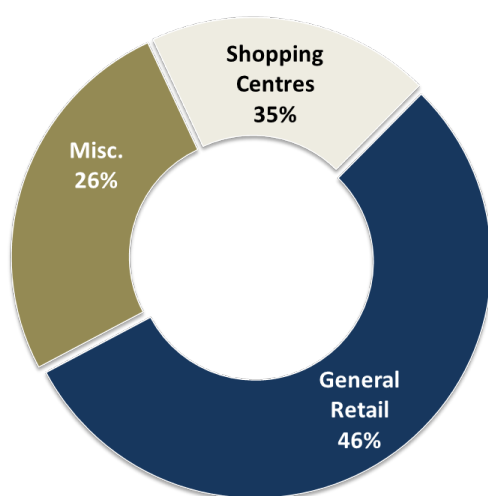
*Misc. – 6 Restaurants, 5 Hotels, 2 Auto Dealership, 2 Service Stations, 1 Car Wash

Just under \$41 million over 11 transactions closed among retail assets during the final quarter of 2023. It was an usually slow period compared to previous years, with the bulk of sales and investment occurring during the second quarter of the year. If fact, more than 80% of sales and dollar volume were registered the first half of the year.

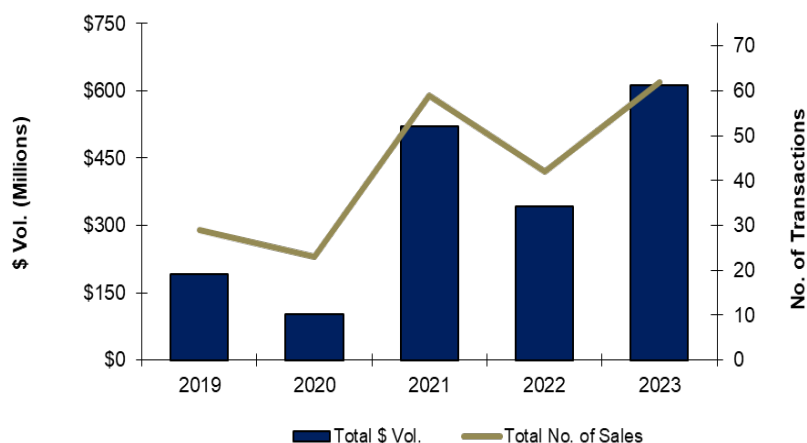
This asset class has seen something of a whipsaw effect over the previous several years in terms of overall sales and investment dollars, as noted in the table above.

Seven big-ticket sales exceeding \$20 million closed through 2023 with the largest of the year being \$93.5 million sale of Pure Casino Calgary (\$1,444/sq.ft.). This was part of a portfolio across Alberta which produced an 8.01% cap rate for the portfolio.

Retail Sales Distribution



Total Retail \$ Value & No. Of Transactions



Land Sales Activity Highlights.

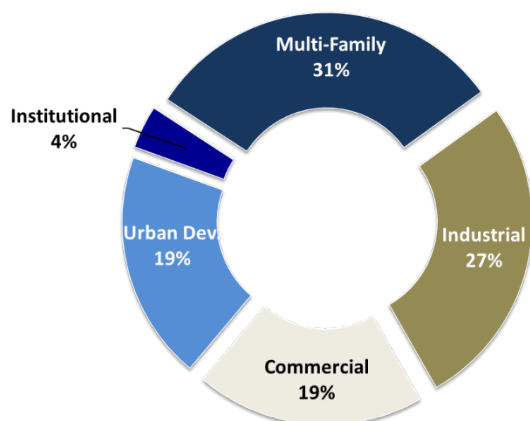
| | 2020 | 2021 | 2022 | 2023 |
|--------------------------------------|----------------|------------------|----------------|----------------|
| <u>Commercial Land</u> | | | | |
| Total \$ Value: | \$57,880,000 | \$72,418,322 | \$94,356,280 | \$181,412,351 |
| No. Of Transactions: | 19 | 17 | 23 | 32 |
| Avg. Price/Sq.ft. | \$148/sq.ft. | \$64/sq.ft. | \$127/sq.ft. | \$145/sq.ft. |
| <u>Industrial Land</u> | | | | |
| Total \$ Value: | \$56,977,453 | \$76,578,650 | \$272,414,801 | \$103,037,003 |
| No. Of Transactions: | 17 | 18 | 38 | 44 |
| Avg. Price/Acre | \$800,747/acre | \$1,297,057/acre | \$861,604/acre | \$988,610/acre |
| <u>Multi Family Land</u> | | | | |
| Total \$ Value: | \$148,198,400 | \$134,016,054 | \$122,967,213 | \$224,119,354 |
| No. Of Transactions: | 25 | 30 | 33 | 51 |
| <u>Urban Development Land</u> | | | | |
| Total \$ Value: | \$104,543,065 | \$183,560,493 | \$82,512,244 | \$366,600,858 |
| No. Of Transactions | 10 | 11 | 18 | 32 |
| Avg. Price/Acre | \$261,713/acre | \$211,699/acre | \$203,381/acre | \$316,904/acre |
| <u>Institutional Land</u> | | | | |
| Total \$ Value: | \$2,639,877 | \$2,936,744 | \$18,155,000 | \$13,985,000* |
| No. Of Transactions | 4 | 2 | 2 | 6 |
| <u>Totals</u> | | | | |
| Total \$ Value: | \$400,334,338 | \$476,265,263 | \$594,605,538 | \$889,154,566 |
| No. Of Transactions | 80 | 83 | 115 | 165 |

*Total includes 5 church. sales

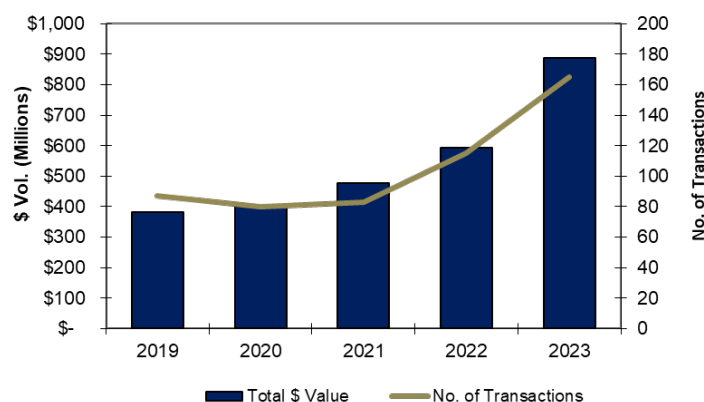
For 2023, land sales represented the largest source of commercial investment among the asset classes we track. At June 30th, dollar volume in this asset class exceeded the combined mid-year investment levels and transaction totals of the two previous years. The \$342.7 million in total purchases through the second half of the year ensured a strong finish for this asset class. There was a substantial volume of transactions of \$10 million or greater in 2023, with nineteen sales closing. This was the primary driver of the marked year-over-year dollar volume increase.

Land designated for multi-family and industrial development were in highest demand with 29 and 27 transactions closing, respectively. The largest transaction of 2023 however, were for urban development/agricultural use. Five of the 6 ytd transactions at or above \$20 million were in this sub-class and comprised nearly \$156 million in investment; approximately 30% of ytd dollar volume.

Land Sales Distribution



Total Land \$ Value vs No. Of Transactions



MARKET SYNOPSIS & PREDICTION SUMMARY

We remain pleasantly surprised at the investment numbers for 2023. Investment numbers this strong were unexpected and given that 2022 was characterized by a single transaction – The Bow – lifting overall investment, we had anticipated a return to the pre-pandemic average. Unlike 2022 however, the breadth of year-over-year transactional activity and dollar volume among asset classes supported the banner numbers.

Within the larger phenomenon noted above, the strength of the land asset class provided a major boost. We've observed notable year-over-year demand fluctuations in the past but the doubling of previous year transactions at mid-year took us by surprise. Given the large number of big-ticket sales – primarily for urban development – we'll be watching closely as we move into 2024.

Also on our radar is the ongoing demand for commercial condominiums in the Calgary market. With a 14% year-over-year increase in sales, the desire to own one's real estate appears to be holding strong and as we noted in that section of the report, retail format appears to be increasingly appealing. We had anticipated a decrease in this type of asset due to the quick and consistent interest rate increases through late 2022 and into this year, but it seems this had little influence.

Additionally, we commented in our mid-year report that in the past, similarly outsized periods as observed through Q2 have traditionally been followed by quiet periods. That, of course, did not transpire in the second half the year most of the asset classes we track. We view the strength of Alberta's economy going into 2024 as offering few reasons to expect that to change in the near future. Perhaps in later 2024 we'll see investors revert to smaller properties with lesser price tags as the froth comes off 2023.

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