

## Q2 2024 CALGARY CRE MARKET OVERVIEW

### August 2024

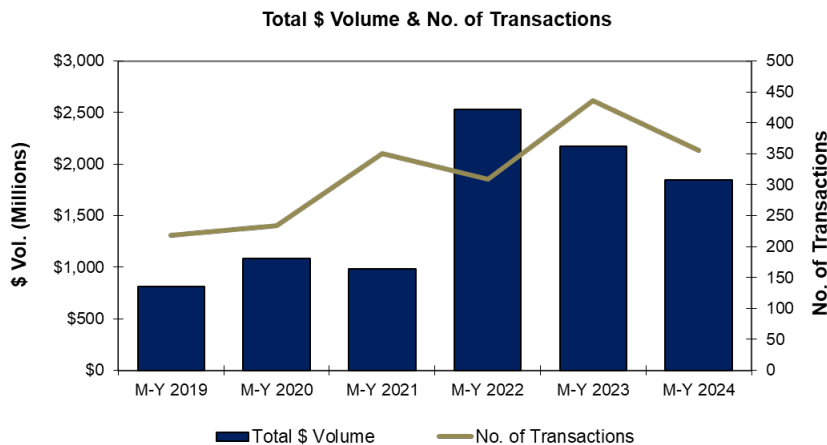
After an impressive first quarter in which more than \$1.1 billion transacted across all asset classes, investment slowed slightly through the second quarter. From April through June 2024, an additional \$700.4 million in transactions closed, bringing the total value of commercial property sales to just under \$1.85 billion at the mid-point of 2024. This is 85% of mid-year 2023 investment which was itself, 86% of mid-year 2022 investment (which received a major boost from the sale of The Bow).

Despite appearing to be on the decline, it should be noted that current investment levels - as well as the previous two years – are the highest ever tracked, far surpassing pre-pandemic highs at the mid-points of 2013 (\$1.3 billion), 2018 (\$1.26 billion) and 2017 (\$1.03 billion).

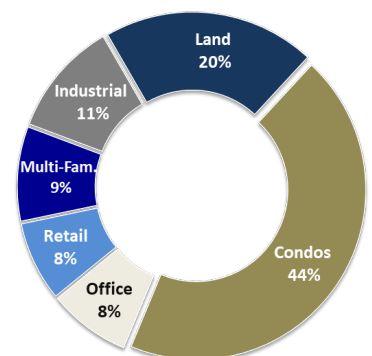
Fueling year-to-date (ytd) activity was very strong demand for land plus a dramatic increase in investors’ appetites for multi-family properties and commercial condominiums. These two asset types increased by \$253.9 million (a 93% year-over-year increase) and \$20.1 million respectively over mid-year 2023 levels.

Otherwise, investment across all other asset groups posted year-over-year declines with substantial decreases among office and industrial properties. These two asset types saw drops of 53% and 55%, respectively.

	Q2- 2020	Q2- 2021	Q2- 2022	Q2- 2023	Q2- 2024
<b>Land</b>					
Total \$ Value:	\$257,358,063	\$243,492,650	\$224,691,649	\$524,402,334	\$462,528,393
No. of Transactions:	37	41	52	99	72
<b>Buildings</b>					
Total \$ Value:	\$825,653,199	\$736,971,865	\$2,303,856,026	\$1,647,053,045	\$1,387,341,334
No. of Transactions:	197	310	257	337	284
<b>Totals</b>					
Total \$ Value:	\$1,083,011,262	\$980,464,515	\$2,528,547,675	\$2,171,455,379	\$1,849,869,727
No. of Transactions:	234	351	309	436	356



**M-Y 2024 Sales Distribution**



Commercial Condo Sales Activity Highlights

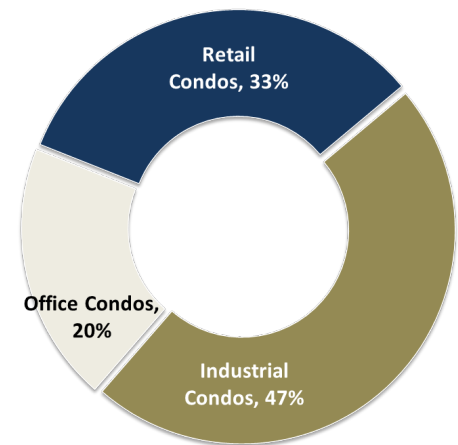
	Q2-2021	Q2-2022	Q2-2023	Q2-2024
<b>Office Condos</b>				
Total \$ Value:	\$23,733,395	\$31,045,468	\$28,810,442	\$23,934,187
No. Of Transactions:	46	39	47	31
Avg. Price/sq.ft.	\$250/sq.ft.	\$310/sq.ft.	\$315/sq.ft.	\$353/sq.ft.
<b>Retail Condos</b>				
Total \$ Value:	\$43,667,541	\$28,207,305	\$60,571,866	\$82,125,395
No. Of Transactions:	39	27	62	52
Avg. Price/sq.ft.	\$450/sq.ft.	\$466/sq.ft.	\$510/sq.ft.	\$519/sq.ft.
<b>Industrial Condos</b>				
Total \$ Value:	\$71,099,571	\$79,505,851	\$64,419,487	\$67,897,083
No. Of Transactions:	106	89	81	75
Avg. Price/sq.ft.	\$249/sq.ft.	\$254/sq.ft.	\$269/sq.ft.	\$274/sq.ft.
<b>Totals</b>				
Total \$ Value:	\$138,500,507	\$138,758,624	\$153,801,795	\$173,956,665
No. Of Transactions:	191	155	190	158

Commercial condo investment continued a multi-year upward trajectory, surpassing mid-year 2023 levels and establishing a new mid-year high water mark. After starting the year in high gear with just under \$83 million over 74 transactions closing, the second quarter built on that foundation with an additional 84 sales closing, totalling more than \$91 million.

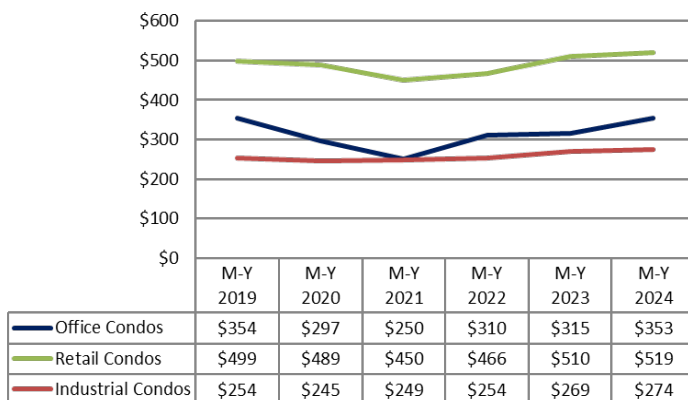
Continuing a trend we first observed through 2019 – 2023, demand for industrial condos were again the preferred format versus office and retail condos. It should be noted however, that dollar volume invested in retail condos far outstripped that seen among industrial format for the first time since we began tracking this asset group.

Prices per square foot for retail and industrial formats reached their highest levels since we began tracking this asset class. Office condo prices per square foot remained just off their \$354/sf high at mid-year 2019. That year, just 99 sales closed among all three formats - which again highlights the significant and increasing appeal among business owners to also own their real estate.

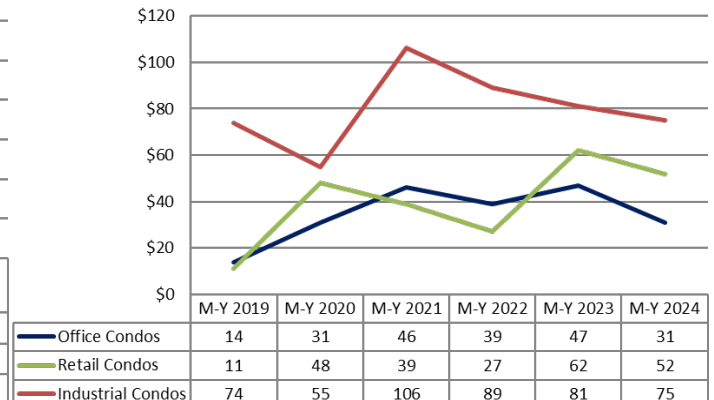
Commercial Condo Sales Distribution



Condo Average Unit Price



Commercial Condo Transactions



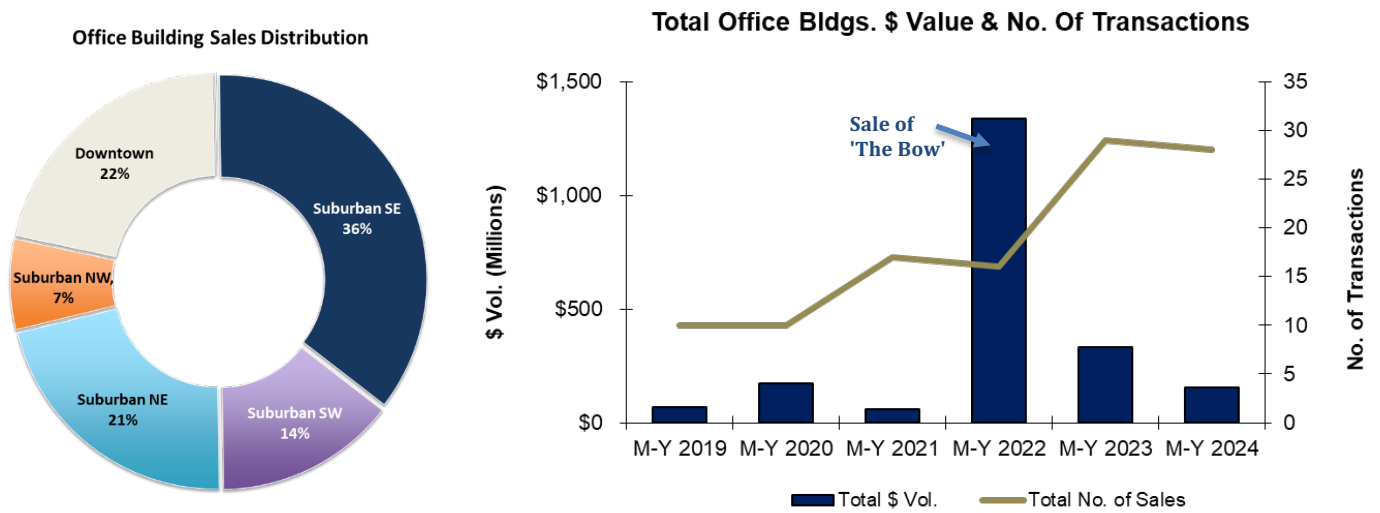
Office Sales Activity Highlights

	Q2-2021	Q2-2022	Q2-2023	Q2-2024
<b>Suburban Office</b>				
Total \$ Value:	\$31,429,203	\$54,331,903	\$186,227,459	\$82,942,100
No. Of Transactions:	10	9	19	22
Avg. Price/sq.ft.	\$348/sq.ft.	\$256/sq.ft.	\$303/sq.ft.	\$315/sq.ft.
<b>Beltline Office</b>				
Total \$ Value:	\$9,570,714	\$7,282,643	\$23,150,000	-
No. Of Transactions:	4	1	4	-
Avg. Price/sq.ft.	\$127/sq.ft.	\$462/sq.ft.	\$612/sq.ft.	-
<b>Downtown Office</b>				
Total \$ Value:	\$16,545,245	\$1,277,250,000	\$121,235,000	\$72,678,790
No. Of Transactions:	3	6	6	6
Avg. Price/sq.ft.	\$228/sq.ft.	\$212/sq.ft.	\$89/sq.ft.	\$80/sq.ft.
<b>Totals</b>				
Total \$ Value:	\$57,545,162	\$1,338,864,546	\$330,702,459	\$155,620,890
No. Of Transactions:	17	16	29	28

The first half of 2024 marked a significant about-face for Calgary office investment environment, with total dollar volume falling by slightly more than half on a year-over-year basis. After a two-year resurgence of interest among investors – particularly in the Downtown where purchases of office buildings with the intention of commercial-to-residential conversion had been boosted by Calgary’s *Downtown Development Incentive Program* – a general decrease in appetite for large purchases was seen around the city.

Office property sales and investment were off to a strong start through the first quarter of the year, with 16 transactions closing for a total of \$82.5 million – more than half mid-year numbers in each regard. The balance of sales to June 30<sup>th</sup> were primarily located in the suburbs and just three of the second-quarter sales closed above \$10 million.

It was the substantially lower number of transactions closing above \$10 million – with a complete absence of sales above the \$25 million mark – that was primarily responsible for the year-over-year decrease in dollar volume.



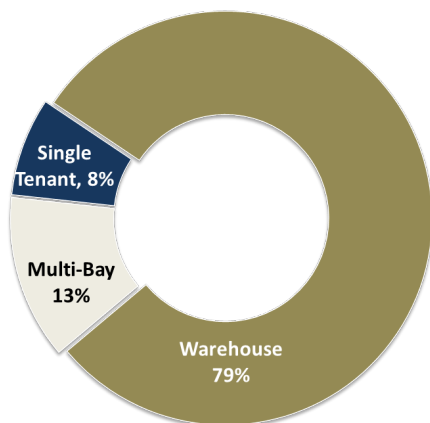
Industrial Sales Activity Highlights

	Q2-2021	Q2-2022	Q2-2023	Q2-2024
<b>Owner/User Warehouse</b>				
Total \$ Value:	\$199,875,249	\$167,655,750	\$151,761,888	\$134,749,000
No. Of Transactions:	43	30	42	31
Avg. Price/sq.ft.	\$196/sq.ft.	\$196/sq.ft.	\$233/sq.ft.	\$229/sq.ft.
<b>Multi-Bay Warehouse</b>				
Total \$ Value:	\$28,950,000	\$234,070,000	\$308,955,000	\$18,675,000
No. Of Transactions:	7	17	11	5
Avg. Price/sq.ft.	\$115/sq.ft.	\$170/sq.ft.	\$141/sq.ft.	\$133/sq.ft.
<b>Single-Tenant Warehouse</b>				
Total \$ Value:	\$20,275,000	-	\$11,600,000	\$57,740,000
No. Of Transactions:	4	-	1	3
Avg. Price/sq.ft.	\$202/sq.ft.		\$143/sq.ft.	\$145/sq.ft.
<b>Totals</b>				
Total \$ Value:	\$249,100,249	\$401,725,750	\$472,316,888	\$211,164,000
No. Of Transactions:	54	47	54	39

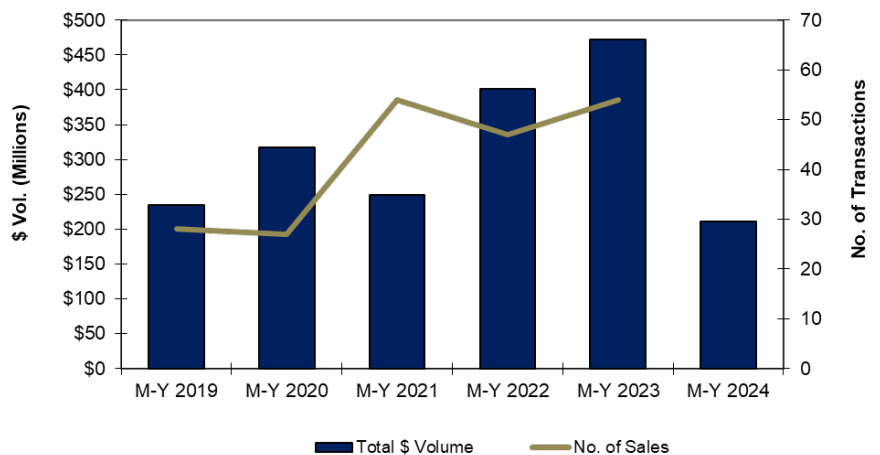
Industrial properties have been a popular and stable asset class for investors through 2022 and 2023, but investors took a step back during the first half of 2024. Approximately \$211 million was invested over 39 sales through the first six months of the year – substantially lower than the two previous years and retuning to mid-year 2021 levels. Year-over-year transactions and dollar volume saw powerful rebounds in the immediate post-pandemic years, but the market has largely become over-bought and the leasing market has shown signs of normalizing after reaching record-low vacancy rates during 2022 and 2023.

Owner/Users accounted for nearly 80% of year-to-date transactions and generated nearly \$135 million in sales. The largest transaction within the owner/user group was the \$17 million purchase of 2222-16 Avenue NE (\$188/sf). The big-ticket sale of the year to date however, remains the \$50.3 million sale of 2255-29 Street NE (\$118/sf) by Choice Properties REIT.

Industrial Sales Distribution



Total Industrial \$ Volume & No. of Transactions



Multi-Family Sales Activity Highlights

	Q2-2021	Q2-2022	Q2-2023	Q2-2024
<b>Walk-Ups</b>				
Total \$ Value:	\$46,984,000	\$212,564,000	\$131,951,160	\$259,565,500
No. Of Transactions:	22	17	22	24
Avg. Price/Suite	\$151,000/suite	\$177,000/suite	\$189,000/suite	\$215,000/suite
Avg. Cap Rate %	4.3%	4.3%	4.2%	4.7%
<b>High-Rise Apartments</b>				
Total \$ Value:	\$35,130,000	-	\$56,010,000	\$255,250,000
No. Of Transactions:	2	-	2	4
Avg. Price/Suite			\$180,000	\$257,000
<b>Misc.</b>				
Total \$ Value:	\$6,262,500	\$1,500,000	\$83,610,000	\$10,604,999
No. Of Transactions:	2	1	3	4
Avg. Price/Suite		\$125,000	\$324,000	\$351,000
<b>Totals</b>				
Total \$ Value:	\$88,376,500	\$214,064,000	\$271,571,160	\$525,420,499
No. Of Transactions:	26	18	27	32

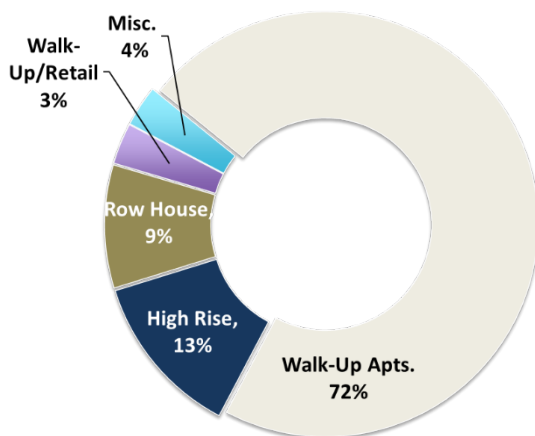
\*Misc – 3 Row Houses, 1 Assisted Living

Investment in multi-family properties jumped significantly during the second quarter of 2024, with 5 additional transactions closing and bringing year-to-date dollar volume to more than \$525 million – a 93% year-over-year increase from mid-year 2023 levels. This level of investment by far represents an all-time peak.

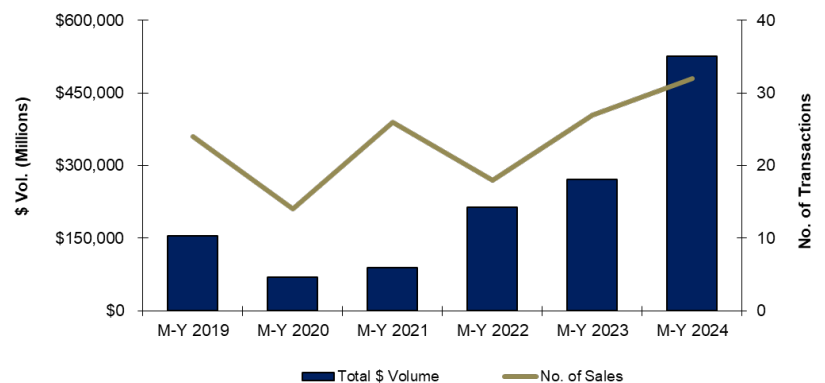
The year-over-year total dollar volume increase is due in large part to the sales of several big-ticket properties that fetched more than \$20 million. To date this year, five properties sold above this threshold and these large transactions accounted for 83% of ytd investment in this asset class. At mid-year 2023, five transactions closed at \$20 million or greater and accounted for 81% of investment to that point.

The largest transactions of 2024 at mid-year were a portfolio sale of the Glenmore Gardens & Elata & Glenmore Heights purchased by Boulevard Real Estate Equities Ltd. for \$176 million (\$250,000/suite at a 4.35% cap) and the two-building sales of 141 & 181 Skyview Bay NE, purchased by 2592124 Alberta Ltd. for approximately \$103 million (\$279,000/suite at a 6.2% cap).

Multi-Family Sales Distribution



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



Retail Sales Activity Highlights

	Mid-Year 2021	Mid-Year 2022	Mid-Year 2023	Mid-Year 2024
<b>General Retail</b>				
Total \$ Value:	\$47,705,000	\$13,075,000	\$182,597,143	\$82,417,400
No. Of Transactions:	15	8	19	12
<b>Shopping Centres</b>				
Total \$ Value:	\$89,184,447	\$185,468,106	\$174,465,000	\$186,354,000
No. Of Transactions:	7	11	10	8
Avg. Cap Rate %	5.5%	6.1%	6.5%	7.4%
<b>Misc.</b>				
Total \$ Value:	\$66,560,000	\$11,900,000	\$61,598,600	\$82,417,400
No. Of Transactions:	7	2	8	7
<b>Totals</b>				
Total \$ Value:	\$203,449,447	\$210,443,106	\$418,660,743	\$321,179,280
No. Of Transactions:	29	21	37	27

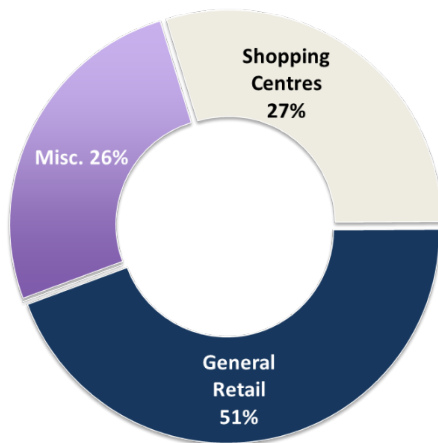
\*Misc. – 2 Hotels, 1 car wash, 4 Restaurants

More than \$183 million in transactions closed among retail assets during the second quarter of 2024, bringing total dollar volume at June 30<sup>th</sup> to just over \$321 million – approximately 23% lower than at the mid-point of 2023 but still substantially higher than at the same point of any of the previous five years. Transaction levels were also slightly off the multi-year high registered at mid-year 2023.

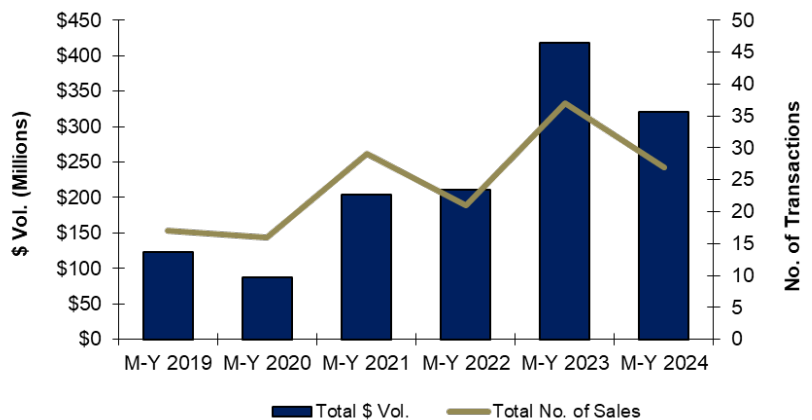
Shopping centres accounted for just under 60% of total sales and the general retail category comprised just under one-fifth of total ytd dollar volume. Of particular note was the presence of owner/users, who represented more than half of buyers at June 30<sup>th</sup> and injected just under \$46 of ytd dollar volume.

Five big-ticket sales exceeding \$20 million closed through June 30<sup>th</sup> with the largest being \$83.75 million sale (\$510/sf) of Country Hills Town Centre by ARI CHTV GP Inc (6.6% cap). and the \$64.75 million sale of the Hilton Garden Inn & Homewood Suites to 1000856103 Ontario Inc (8.7% cap)

Retail Sales Distribution



Total Retail \$ Value & No. Of Transactions



Land Sales Activity Highlights.

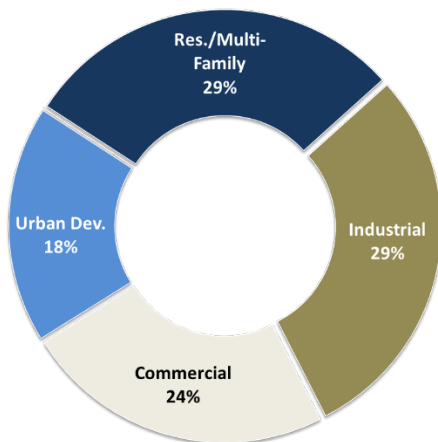
	Q2-2021	Q2-2022	Q2-2023	Q2-2024
<b>Commercial Land</b>				
Total \$ Value:	\$34,418,813	\$31,967,501	\$87,553,500	\$74,841,247
No. Of Transactions:	17	10	17	17
Avg. Per/Sq.ft.	\$44/sq.ft.	\$107/sq.ft.	\$123/sq.ft.	\$78/sq.ft.
<b>Industrial Land</b>				
Total \$ Value:	\$12,570,750	\$92,171,113	\$63,479,976	\$103,856,166
No. Of Transactions:	8	19	27	21
Avg. Per/Acre	\$1,594,173/acre	\$884,219/acre	\$856,454/acre	\$1,171,689/acre
<b>Multi Family Land</b>				
Total \$ Value:	\$36,254,344	\$57,968,395	\$117,158,500	\$144,051,172
No. Of Transactions:	13	16	29	21
<b>Urban Dev. Land</b>				
Total \$ Value:	\$154,393,743	\$17,776,000	\$249,100,358	\$139,779,808
No. Of Transactions:	9	5	22	13
Avg. Per/Acre	\$236,521/acre	\$203,135/acre	\$283,041	\$330,283
<b>Institutional Land</b>				
Total \$ Value:	\$1,400,000	\$1,400,000	\$7,110,000	-
No. Of Transactions:	1	1	4	-
<b>Totals</b>				
Total \$ Value:	\$242,392,650 *	\$224,691,649	\$524,402,334	\$462,528,393
No. Of Transactions:	40	52	99	72

\*Total includes misc. sales

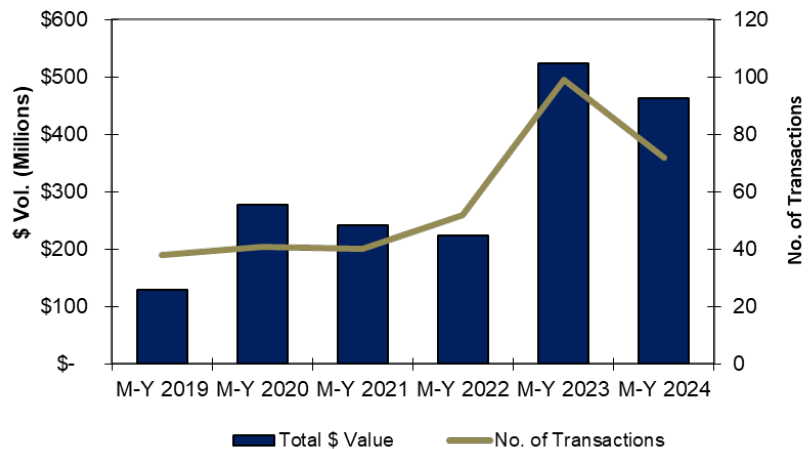
At June 30<sup>th</sup>, land sales represented the second largest source of commercial investment among the asset classes we track. Despite dollar volume being slightly lower than registered at mid-year 2023, it still equaled the combined mid-year investment levels of 2021 and 2022. Q1 2024 investment alone (\$292 million) was nearly on-par with Q1 2023, but the second quarter was relatively quiet, with 35 transactions closing for a total of approximately \$171.

More than half of ytd dollar volume stemmed from just eleven transactions of \$10 million or greater. Six of those exceeded \$25 million, with the largest being the \$44 million (\$380,000/acre) purchase of 116 acres at 3333-85 Street SW and the \$43 million (\$4.48 million/acre) purchase of 9.6 acres at 6011 3612-16 Avenue SW by The City of Calgary.

Land Sales Distribution



Total Land \$ Value vs No. Of Transactions





## **MARKET SYNOPSIS & PREDICTION SUMMARY**

We remain pleasantly surprised at the investment numbers for the first half of 2024. To say numbers this strong for a third year in a row were unexpected would be an understatement. Coming off of two years in which overall investment reached level touching twice that posted at the mid-points of 2013 and 2018 – both previous investment records - we had anticipated a return to the pre-pandemic average of just over \$1 billion.

Within the larger phenomenon noted above, the ongoing strength of the multi-family asset class provided a major boost. We've observed notable year-over-year demand fluctuations in the past but the near-doubling of previous year dollar volume is a phenomenon we'll be watching closely as we move into the second half of the year.

Over the previous few years, we've witnessed steadily increasing demand for commercial condominiums in the Calgary market, and with a 13% year-over-year increase in sales, the appeal of owning one's real estate is holding strong. We had anticipated a decrease in this type of asset due in part to demand-driven increases in prices per square foot for all formats, but with the Bank of Canada's recent rate reductions – and with more widely anticipated – the future appears bright for this asset type.

In the past, similarly outsized quarters as we witnessed in Q1 of this year have traditionally been followed by quiet periods, with activity ramping-up again later in the year. We expect that with Alberta's economy remaining very strong, investment activity will remain strong in the third and fourth quarters of 2024.

To obtain further details on specific transactions mentioned in the above report or to inquire about our subscriptions and services, please contact us.

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