Altus Group

CALGARY FLASH REPORT **2019**

COMMERCIAL INVESTMENT & LAND MARKET

CALGARY MARKET AREA

Total investment volumes in the Calgary Market Area increased to $3.68 billion in 2018, the highest annual total since 2012.

2018 Highlights

Total investment property sales transactions in the Calgary Market Area reached almost $3.7 billion in 2018, up 15% year-over-year. The increase was seen throughout most sectors.

The Office sector accounted for the largest share of investment, and largest increase in dollar volume, increasing by $166 million to $960 million.

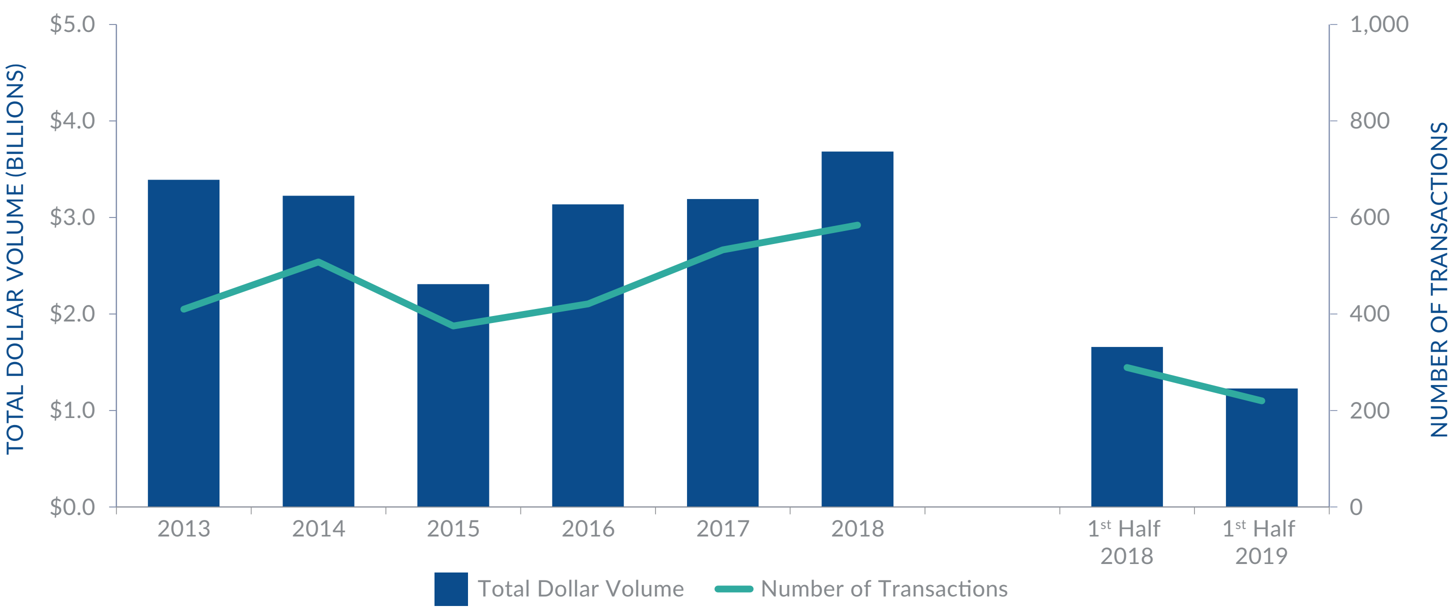
The Retail, Industrial and Apartment sectors all posted solid gains in 2018, up 11%, 14% and 8% respectively.

The total value of Land sales (ICI and Residential combined) was up by 20%, with the ICI Land sector up by $104 million and Residential Land up by $88 million.

The only asset class with declining investment volumes in 2018 was the typically smaller Hotel sector, where transaction volumes reached only $36 million.

Annual Investment Property Sales Transactions

CALGARY MARKET AREA



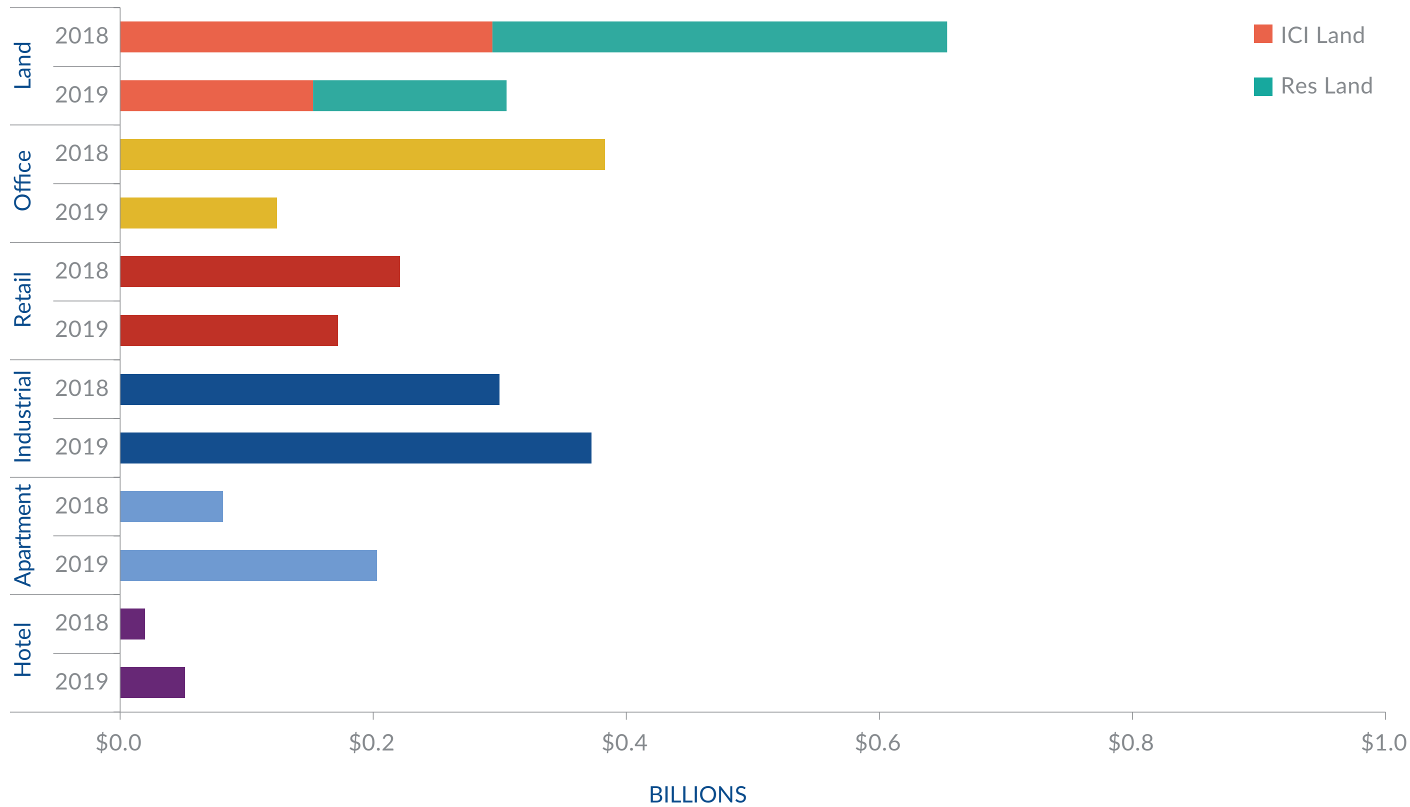
Source: Altus Group

COMMERCIAL INVESTMENT & LAND MARKET CONTINUED

CALGARY MARKET AREA

Investment Property Sales Transactions by Asset Class

CALGARY MARKET AREA, H1 2018 VS. H1 2019



Source: Altus Group

Investment property sales quieter in first half of 2019.

First Half 2019 Highlights

After the brisk activity in 2018, investment property sales in Calgary slowed notably in the first half of 2019, with total investment volumes down 26% from the first half of 2018.

There were bright spots, however, with the Apartment sector more than doubling (aided by 5 transactions of $12 million or more, the largest being Minto Apartment GP Inc's purchase of The Quarters), Industrial increasing 24% and Hotel surpassing its total for all of 2018.

These gains were not enough to offset significantly lower transaction volumes for Office and Residential Land – each was down more than $200 million from the first half of 2018.

COMMERCIAL INVESTMENT & LAND MARKET CONTINUED
CALGARY MARKET AREA

Residential Land sales fall back in the first half of 2019 after improvement last year.

Notable Residential Land Themes

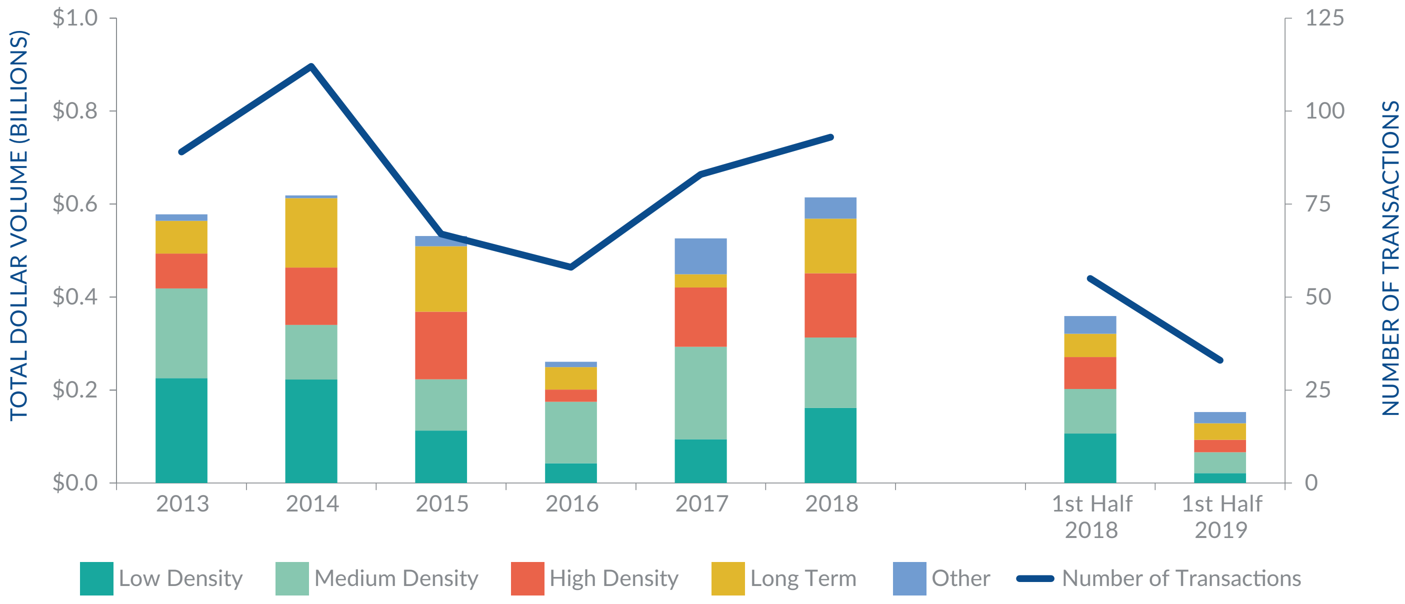
Residential Land investment picked up in 2018, increasing 17% from 2017. The Residential Land market was fairly balanced between the land uses after favouring Medium Density in 2017.

Long Term and Low Density Residential Land saw the largest increases in 2018 and together accounted for almost half of overall residential land investment.

After the strong showing in 2017, Medium Density Residential Land sales fell back in 2018, declining 24% to $151 Million.

Residential Land had a sluggish start to 2019. The first half investment totals were down 57% from 2018 with lower volumes for all land use categories.

Residential Land Transactions by Land Use
CALGARY MARKET AREA



Source: Altus Group

Minto Apartment GP Inc.'s acquisition of The Quarters accounted for almost one-third of Apartment investment in the first half of 2019.

Featured Investment Transactions

The largest deal in the first half of 2019 was Summit REIT's acquisition of an 850,000 sq. ft. multi-tenant industrial building for roughly $80 million.

The top Office transaction to date in 2019 was a $19 million flex office building purchased at $314 per sq. ft.

While Residential Land transactions slowed in the first half of 2019, a large ($36 Million) Medium Density sale occurred just after the first half of the year.

Featured Investment Transactions

CALGARY MARKET AREA

Date	Sector	Transaction Name	Purchaser(s)	Price
Jan-17-2019	Office	Park at Fish Creek	Magna IV Engineering	$19,250,000
Feb-28-2019	Retail	1110 Gateway Avenue	Canadian Tire	$19,925,000
Jan-10-2019	Industrial	6075 86th Avenue SE	Summit REIT	$79,550,000
Jan-29-2019	Industrial	7505 48th Street SE	Triovest	$55,856,213
Jan-31-2019	Apartment	The Quarters	Minto Apartment GP Inc.	$63,750,000
Jul-15-2019	Residential Land	7055, 7111, 7697 & 8393 84th Street NE	Partners Homestead GP LTD.	$35,708,763

Source: Altus Group

INDUSTRIAL MARKET

CALGARY MARKET AREA

The industrial vacancy rate is up again on the back of additional new supply.

Industrial Market Highlights

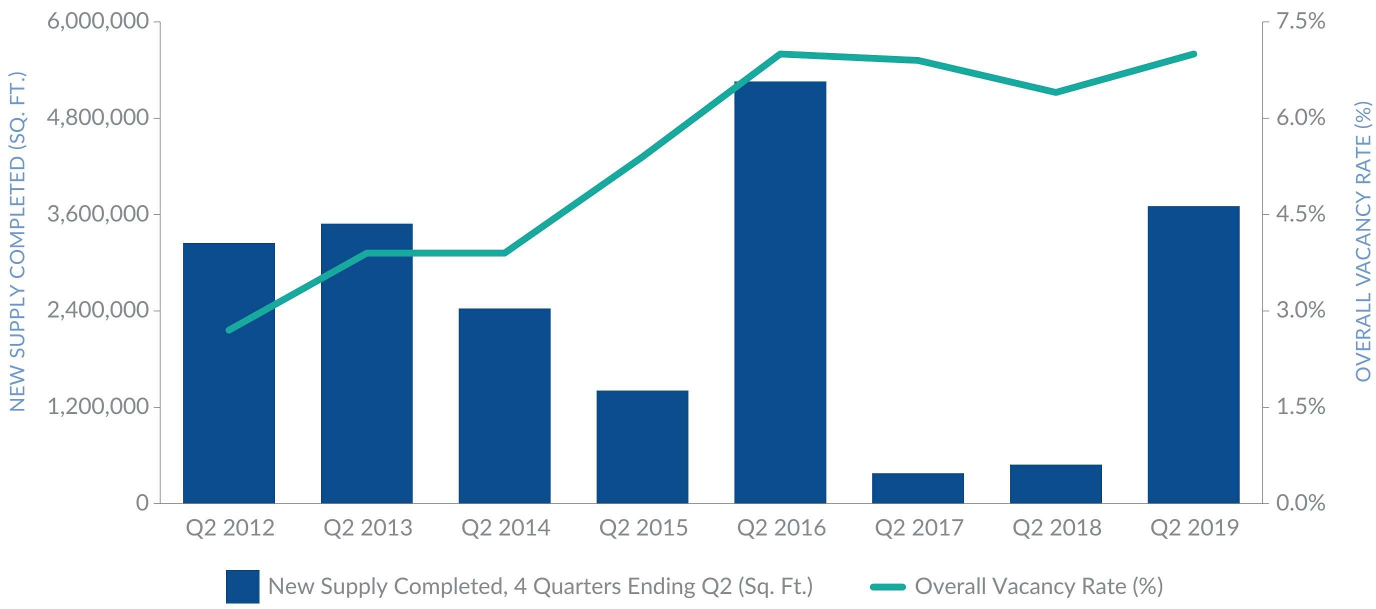
Almost 3.7 million sq. ft. of new industrial space was completed in the four quarters ending Q2 2019 in the Calgary Market Area – this follows on less than 500,000 sq. ft. completed in the previous 12 month period.

The increased new supply contributed to an upturn in the vacancy rate to 7% at the end of Q2 2019.

At the end of Q2 2019, there was another 1.4 million sq. ft. of space under construction, of which the vast majority was still available to be leased at mid-year.

Industrial Market

CALGARY MARKET AREA



Source: Altus Group

OFFICE MARKET
CALGARY MARKET AREA

Calgary continues to be the most oversupplied major office market in Canada.

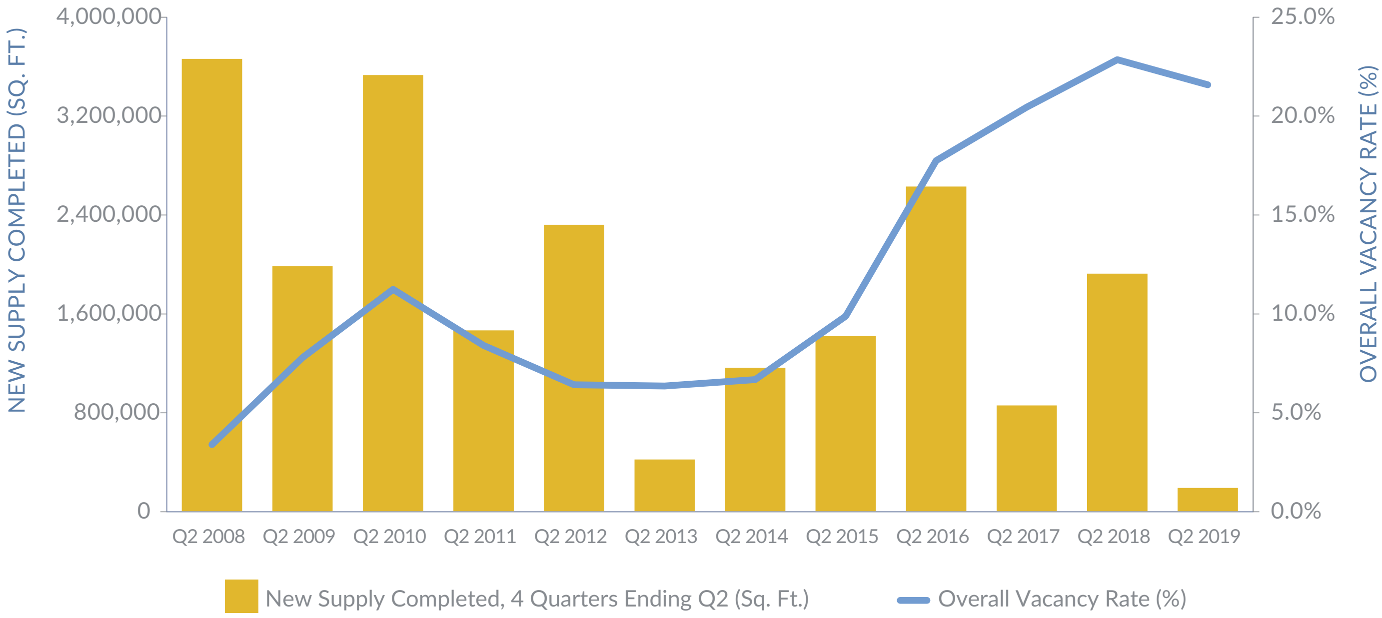
Office Market Highlights

The Calgary office market continues to deal with an oversupply of vacant space, with Calgary having the highest vacancy rate among the major markets in Canada (at above 20%).

With little supply added in the past 12 months, the vacancy rate has started to decline. However, stalled absorption in recent quarters suggests further declines may be on hold for the time being.

There is currently just over 500,000 sq. ft. of office space under construction in the Calgary Market Area, of which about three-quarters is still available to lease.

Office Market
CALGARY MARKET AREA



Source: Altus Group

Suburban office market faring slightly better.

Office Market Highlights *Continued*

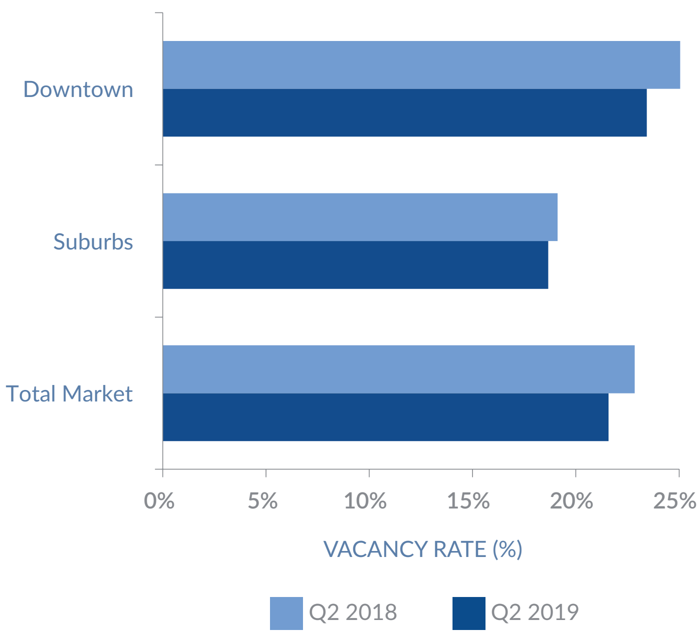
The office vacancy rate continues to be lower in Calgary's suburban office market compared to the downtown.

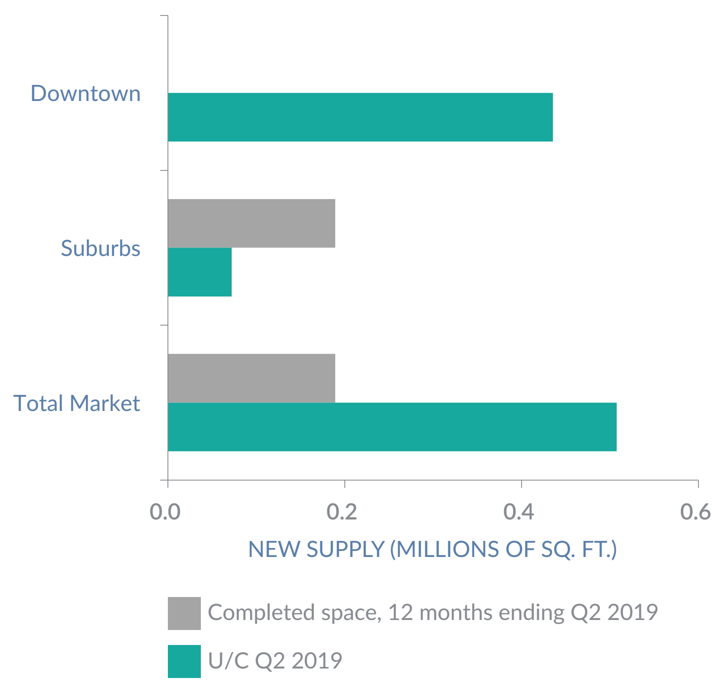
There was no new supply added to the downtown market during the four quarters ending Q2 2019. The lack of new supply, along with positive absorption, has helped bring the vacancy rate down, although soft demand in recent quarters has caused the vacancy rate to start to inch up again.

Telus Sky, the only office building under construction in downtown Calgary, represents the majority of the pending supply in Calgary.

Office Market Highlights, Downtown vs. Suburbs

CALGARY MARKET AREA





Source: Altus Group

RESIDENTIAL DEVELOPMENT MARKET

CALGARY MARKET AREA

New condominium apartment sales in the first half of 2019 dropped to their lowest level since 2010.

New Multi-Family Home Sales Highlights

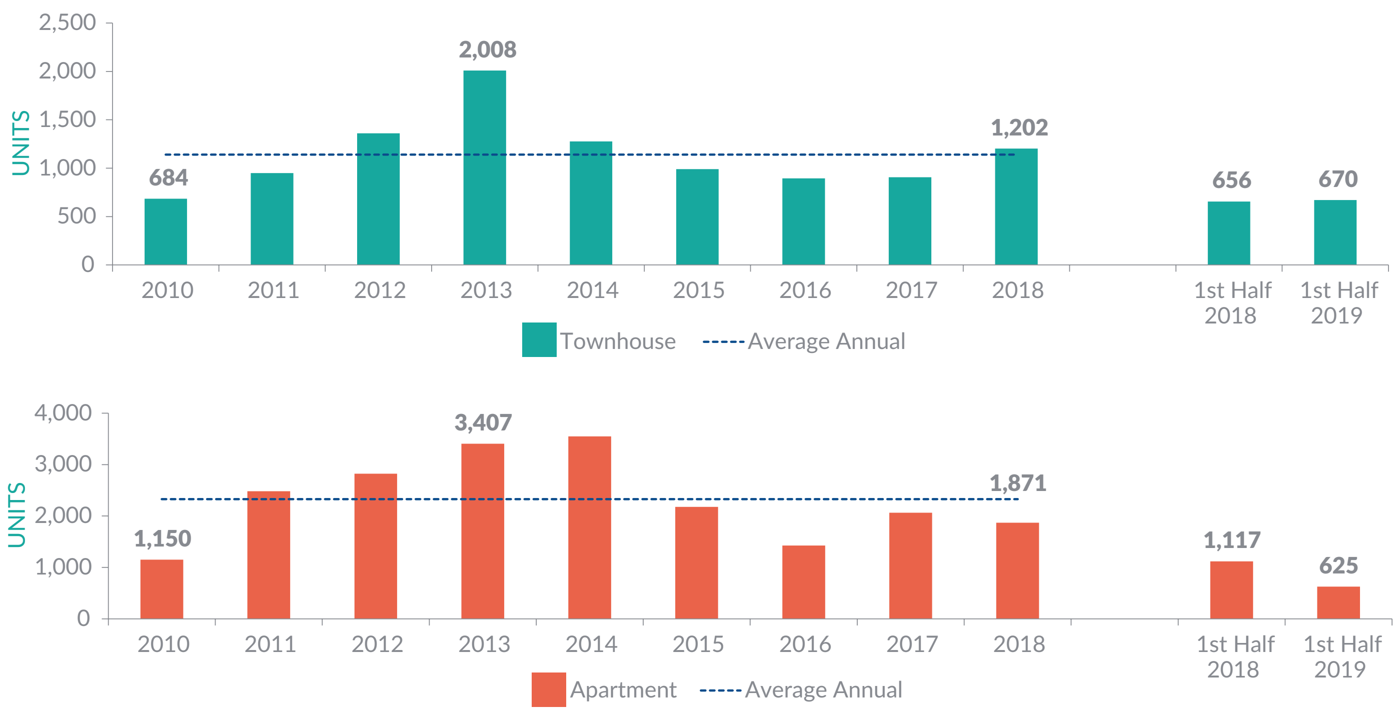
Total new multi-family sales (townhouse and apartment combined) in the Calgary Market Area pushed higher again in 2018, although the gains were modest. Total sales reached almost 3,100 units, a 3.5% increase.

The improvement was all on the townhouse side, as new condominium apartment sales dipped back again below the 2,000 unit threshold.

Overall, new multi-family sales have moderated again in the first half of 2019. While new townhouse sales continue to be brisk, new condominium apartment sales volumes have dropped, largely as a result of very slow sales activity in the inner city market. The good news, however, is that Q2 sales did much better than Q1, ending the declining trend over the previous four quarters.

New Multi-Family Home Sales

CALGARY MARKET AREA



Source: Altus Group

RESIDENTIAL DEVELOPMENT MARKET CONTINUED

CALGARY MARKET AREA

Unsold new condominium apartment inventory represents about 2 years of supply at the pace of recent sales.

New Condominium Apartment Inventory

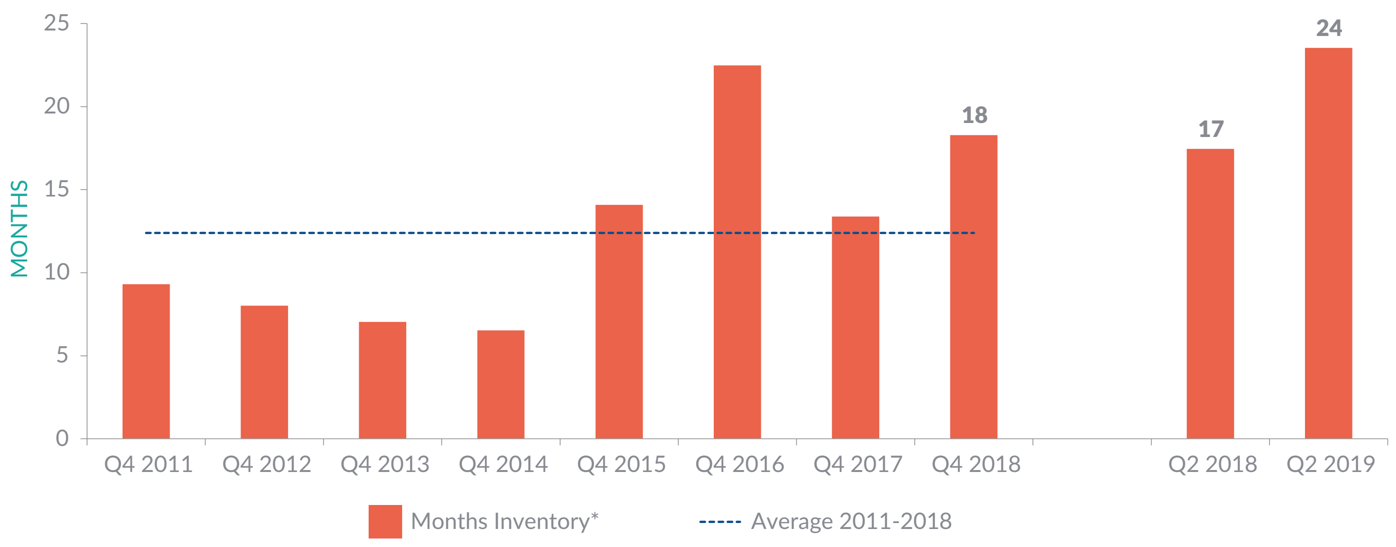
The excess inventory situation in the new condominium apartment sector deteriorated further over the past year.

At the end of Q2 2019, the approximately 2,700 unsold units in active new condominium apartment projects represented about 2 years of supply, based on the monthly pace of sales over the past year. The increase in available supply is the result of a larger number of active projects in the suburban market, with many new low and mid rise projects launching in the past 12 months.

A total of 37 condominium apartment projects were launched in 2018, for a total of just over 2,900 units (five of these projects were subsequently cancelled). Another 15 projects launched in the first half of 2019 (with two since cancelled).

New Condominium Apartment Months of Remaining Inventory

CALGARY MARKET AREA



** Based on sales in previous 12 months*

Source: Altus Group

The new home market in the central area continues to underperform.

New Multi-family Highlights by Subarea

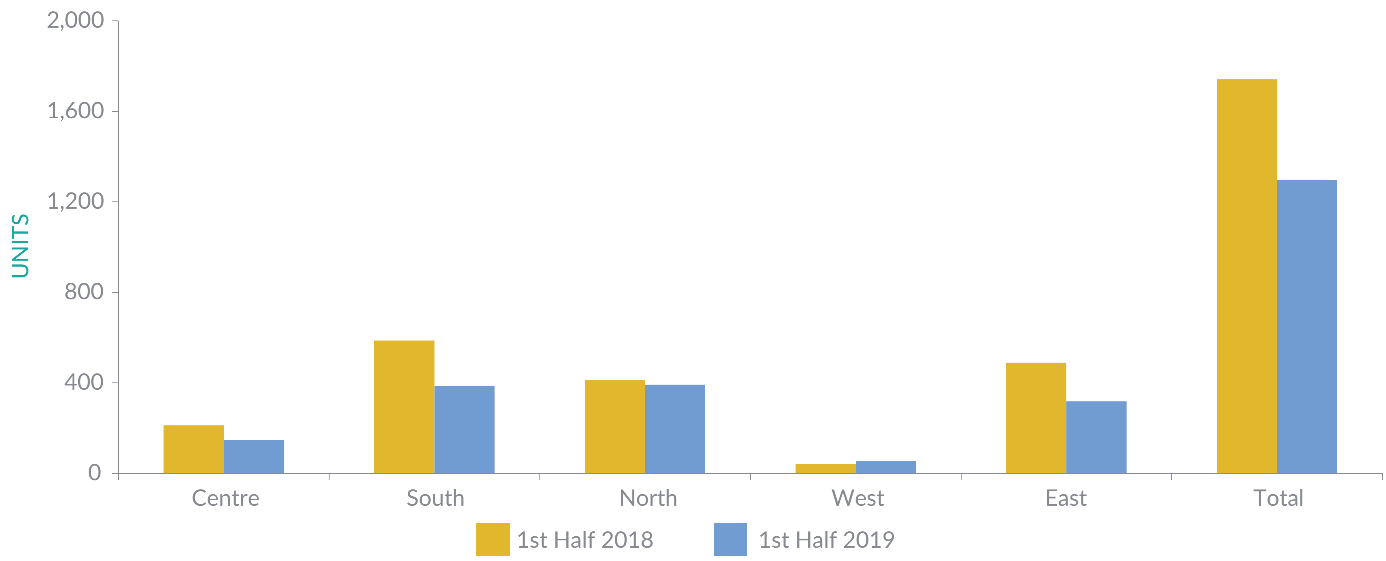
Almost all submarkets saw a decline in total new multi-family home sales (combined townhouse and apartment) for the first half of 2019 compared to the same period in 2018, with sales during the first quarter markedly slower than the year before.

The Centre submarket continued to underperform, accounting for only about 1 in 9 market-wide sales in first half 2019; this compares to its longer-term average of about 1 in 4.

The excess inventory relative to recent sales is more pronounced in the West and Centre submarkets.

Total New Multi-Family Sales by Submarket

CALGARY MARKET AREA



Source: Altus Group

HOMEBUYERS
CALGARY MARKET AREA

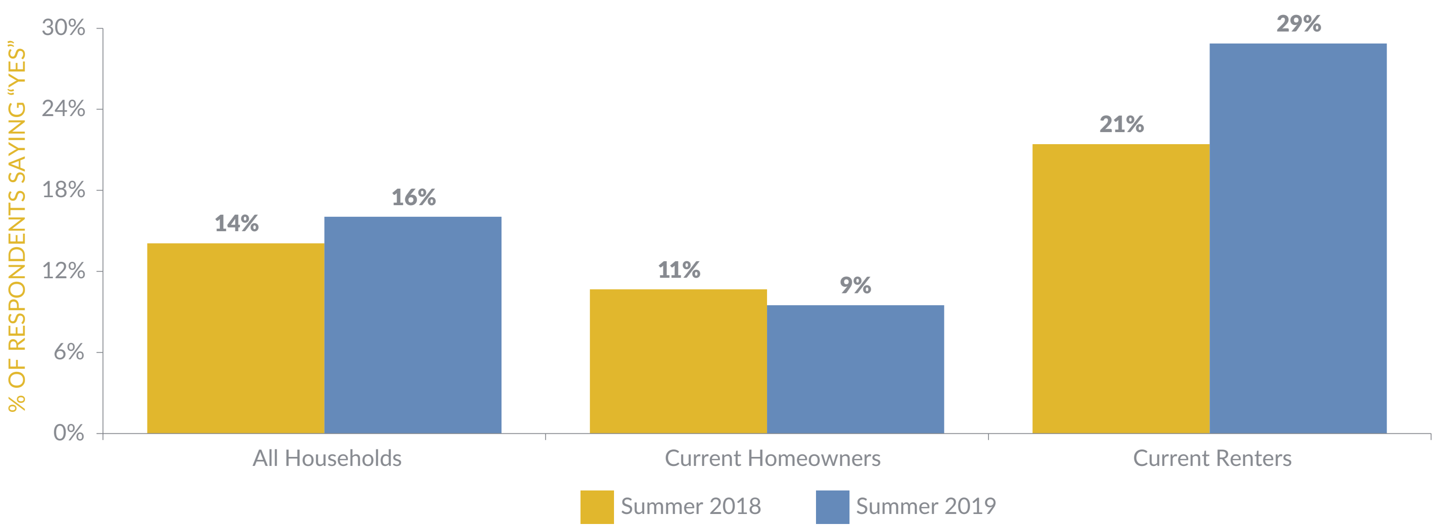
Homebuying intentions up among key first-time buyer group.

Homebuyer Highlights

Homebuying intentions were promising in summer 2019 compared to a year earlier, according to Altus Group's FIRM Survey. The overall increase was driven by stronger intentions among current renters, the primary pool for potential first-time buyers.

Fewer Calgary households expressed concern this year about potential job losses, which along with the more favourable mortgage rate environment may be starting to revive homebuying intentions – and potentially actual homebuying activity.

Planning to Buy a Home in the Next Year
CALGARY MARKET AREA



Source: Altus Group

Buyers under 35 years – who are mostly first-time buyers - account for more than half of Calgary home sales.

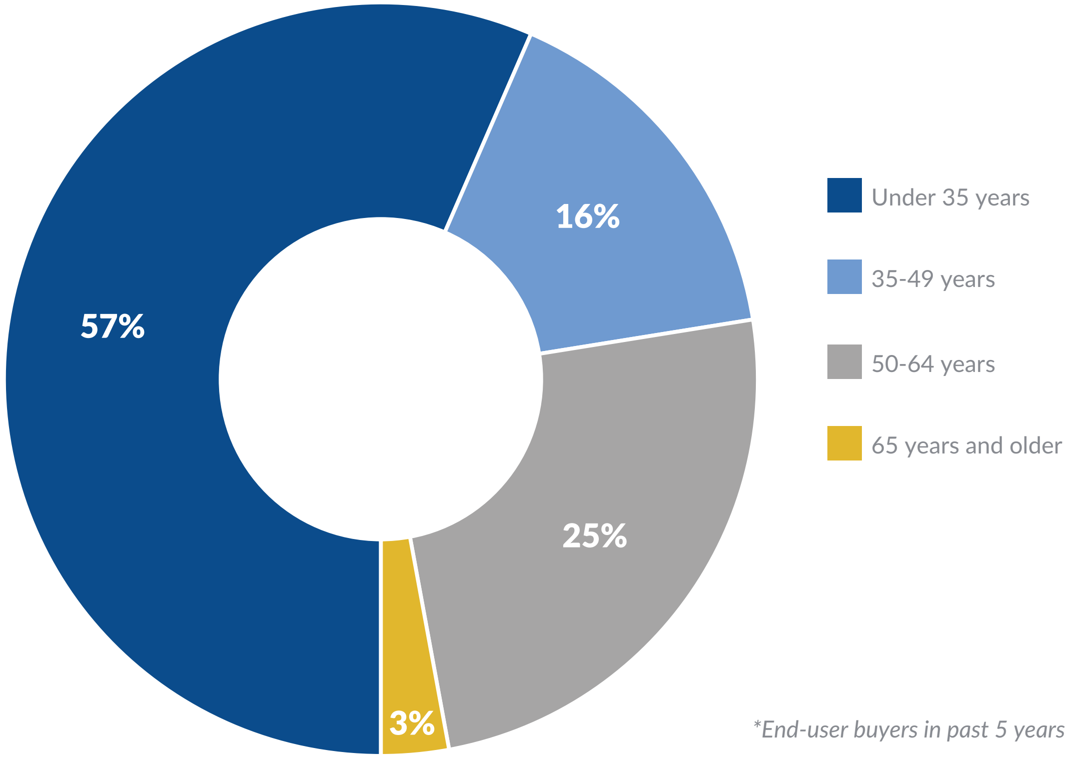
Homebuyer Highlights *Continued*

Just over half of recent end-user homebuyers in the Calgary Market Area were under 35 years of age, according to data from Altus Group's FIRM Survey.

Most buyers aged under 35 years were first-time buyers. In Calgary, on average, first-time buyers purchased homes that were about 15% below the overall average purchase price, and that were on average priced at 4 times their annual incomes. The new First-Time Home Buyer Incentive that came into effect in fall 2019 may provide some moderate stimulus to first-time buyer activity in the months ahead.

Recent Homebuyers by Age Group*

CALGARY MARKET AREA



**End-user buyers in past 5 years*

Source: Altus Group

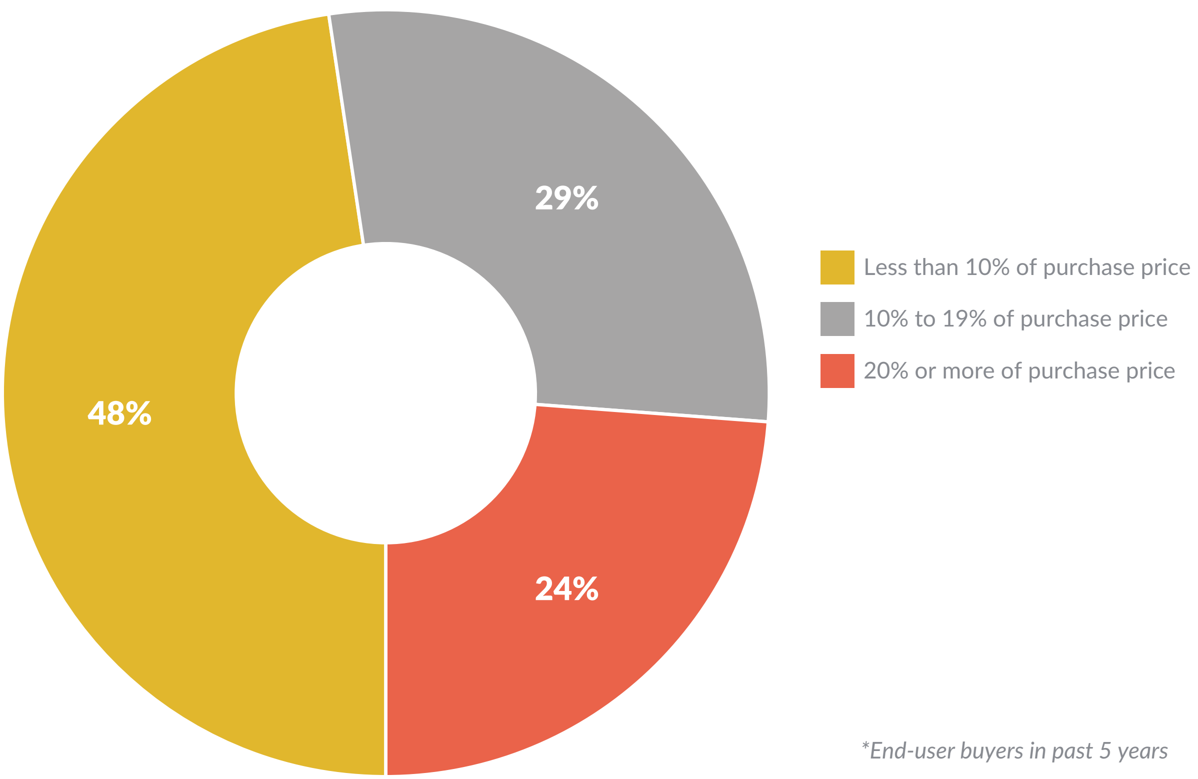
Many first-time buyers in Calgary are getting help from their parents for their downpayment.

Homebuyer Highlights *Continued*

About half of recent first-time buyers in the Calgary Market Area had a downpayment of less than 10% of the purchase price.

About 4 in 10 recent first-time buyers in Calgary used assistance from parents/family (gifts, private loans, inheritances) as the primary source for their downpayment. About 1 in 6 used RRSP funds, and about 1 in 4 used non-RRSP savings/investments.

Recent First-Time Buyers by Size of Downpayment*
CALGARY MARKET AREA



**End-user buyers in past 5 years*

Source: Altus Group

SUMMING UP AND LOOKING AHEAD

CALGARY MARKET AREA

Although the strain of the ongoing slump in energy prices continues to weigh on the Calgary real estate sector, the outlook is cautiously optimistic.

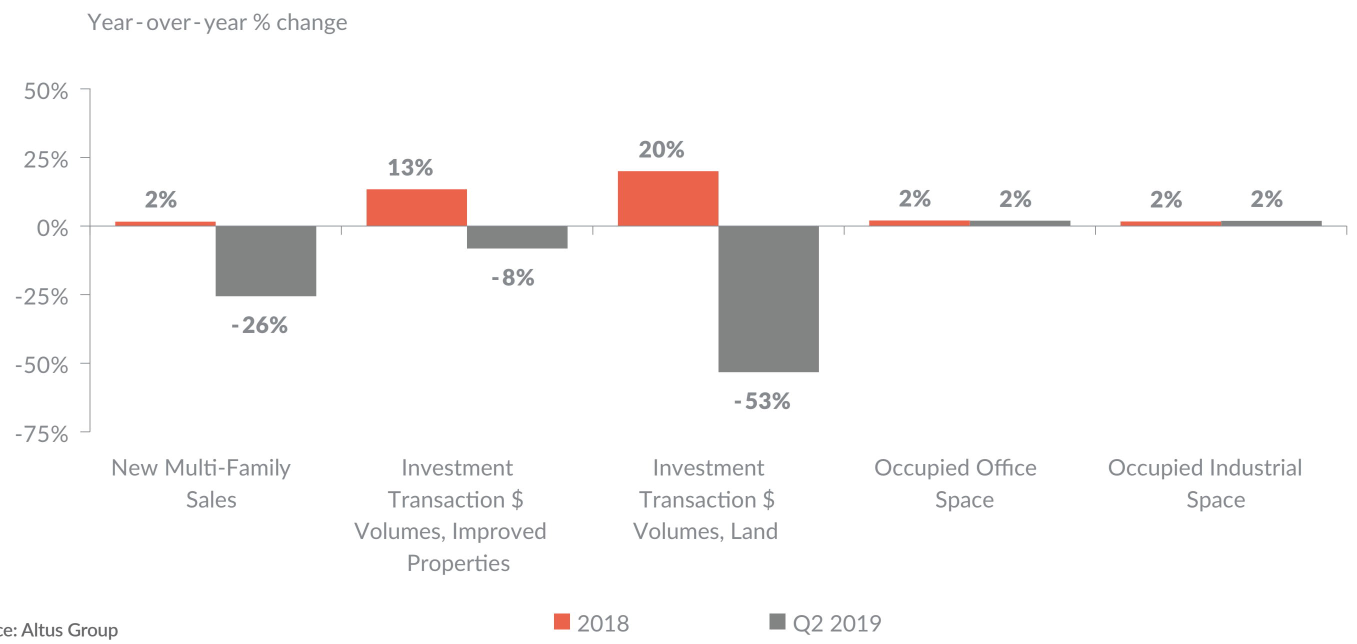
Following a year of stronger investment property sales volumes in 2018, the first half of 2019 has been comparatively quiet with a decline in overall activity, particularly within the Office and Residential Land sectors. The Apartment and Industrial sectors, however, continue to attract strong demand from investors and tenants. The downtown office market continues to deal with elevated vacancies, but the suburban office market remains in comparatively better shape.

The decline in the Residential Land sales volumes reflects the lackluster state of the new home market in Calgary. An increase in 2018 in new project launches within new communities in the suburbs helped to tap demand, but 2019 has seen comparatively fewer launches, and sales, as a result. Townhouse demand remains robust, while appropriately priced wood frame apartment product in the suburban market continues to find buyers. Similar to the office market, inner-city new condominium projects are seeing relatively low demand.

The outlook for the Calgary market remains positive, although the strain of the ongoing slump in energy prices continues to weigh on the real estate sector. While dollar volumes for investment activity and new home sales are down relative to 2018, the declines are not expected to continue. Rather, the outlook is for flat to positive growth on a 5-year horizon as the Calgary market continues to see population growth and renewed investment.

Performance by Market Activity

CALGARY MARKET AREA



Source: Altus Group

ABOUT THE FLASH REPORT

Produced by Altus Group, through our Data Solutions team. We have put together the following Flash Report which illustrates the expanded perspective our solutions provide in the Calgary Market Area.

In this report, insights and perspectives are provided for the following areas:

- Commercial Investment & Land Market
- Industrial Market
- Office Market
- Residential Development Market
- Homebuyers

Altus Group is your single source for nationally researched real estate market data, backed by local expertise.

We hope you enjoy the report. Please let us know what you think by emailing *datasolutionsinfo@altusgroup.com*

About Altus Group Limited

Altus Group Limited is a leading provider of software, data solutions and independent advisory services to the global commercial real estate industry. Our businesses, Altus Analytics and Altus Expert Services, reflect decades of experience, a range of expertise, and technology-enabled capabilities. Our solutions empower clients to analyze, gain insight and recognize value on their real estate investments. Headquartered in Canada, we have approximately 2,500 employees around the world, with operations in North America, Europe and Asia Pacific. Our clients include some of the world's largest real estate industry participants. Altus Group pays a quarterly dividend of $0.15 per share and our shares are traded on the TSX under the symbol AIF.

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