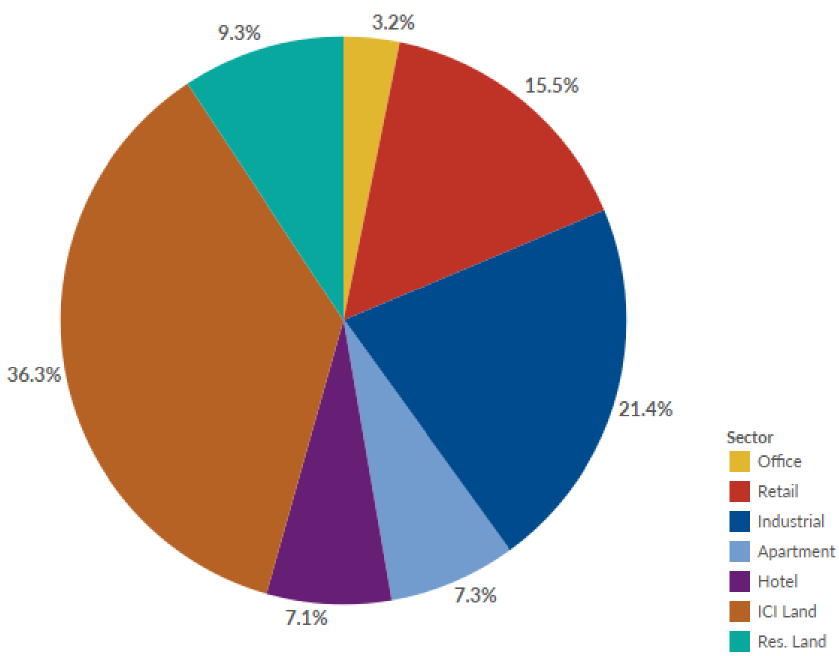
Calgary Market Area Commercial Q1 2021 Statistics

Altus Group

Q1 2021 summary

As the Calgary commercial real estate market suffered immensely in 2020 with economic challenges exacerbated by the pandemic, a rebound in activity is a positive note to start the new year. A total of 162 transactions were recorded in Q1 2021, amounting to $910 million and marking a 22% increase from Q1 2020. With first dose vaccinations increasing throughout the province, discussions have shifted towards the reopening of the economy and potential recovery. While certain sectors such as industrial and land have shown relative strength and remain favourable, activity has stemmed predominantly from local capital. A relatively strong first quarter for the Calgary market could help carry momentum into the first half of the year, however, questions surrounding the appetite for investment from major institutional stakeholders are still outstanding for Calgary.

Q1 2021 Property Transactions - Total $ Volume by Sector



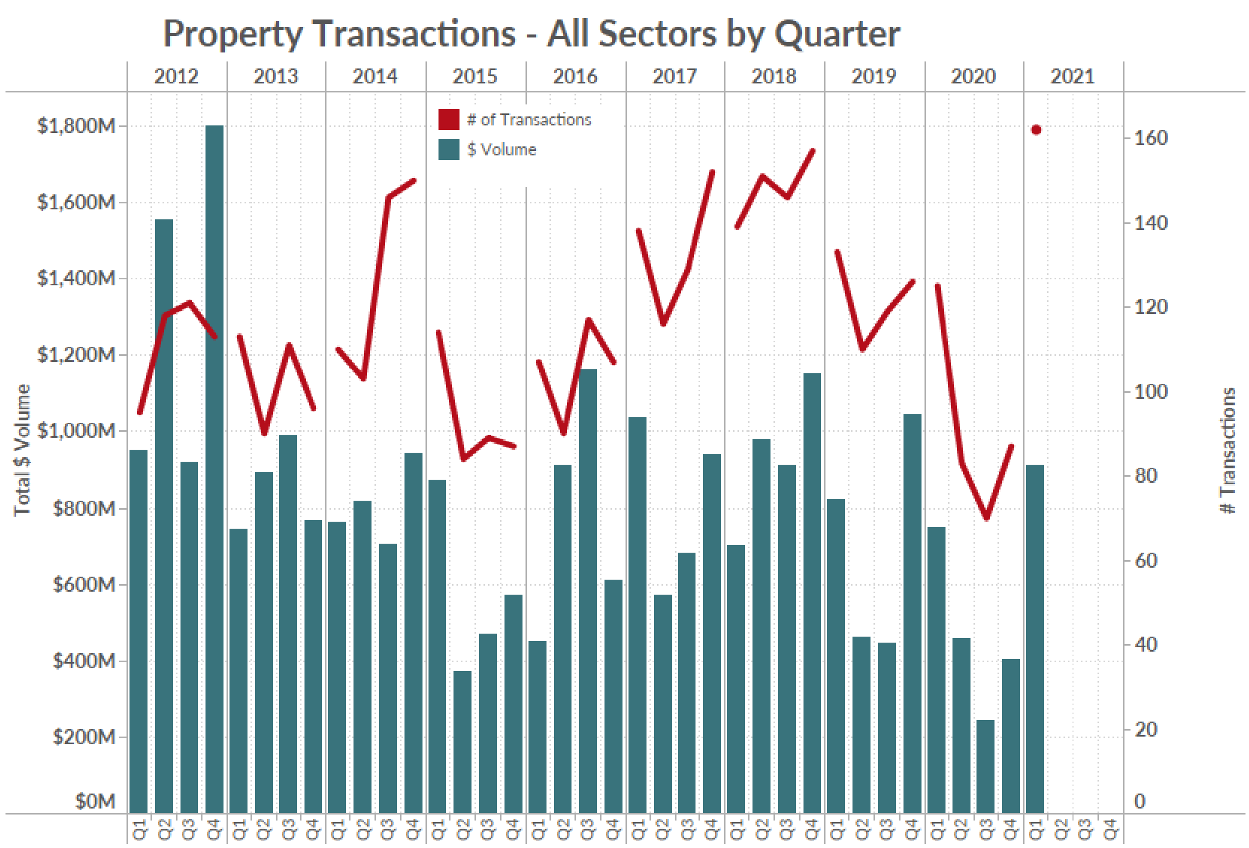
Source: Altus Group

The land sector saw the strongest performance in Q1 2021, with ICI and residential land transactions making up 46% of the investment total for the quarter. Several large land transactions occurred in the quarter for various forms of long- term, development, and infrastructure lands. Retail also had a rebound in Q1 2021, with 28 transactions totaling $141 million, nearly tripling in value compared to Q1 of last year. Alongside these standouts, the industrial market has remained a relatively consistent performer with 48 transactions totaling $195 million, roughly on par compared to its performance in Q1 2020 but increasing 49% compared to Q4 2020. The office sector, consistently seen as the sector hit hardest by pandemic challenges, saw 6 transactions for a total of $29 million in Q1 2021, an 80% decrease from this time last year.

Even as investors have learned to navigate and reassess risk in this new investment environment, large institutional investors have remained tepid towards Calgary under current conditions. This does not appear to be the case in Toronto and Vancouver, where commercial real estate demand has rebounded strongly.

According to the Altus Group's Investment Trends Survey for Q1 2021, Calgary sits on the sell side of the location barometer and is slightly more preferred by investors than the Edmonton market. Overall capitalization rates in Calgary have compressed slightly, with decreases recorded among Downtown Class AA Office and Single-Tenant Industrial assets and increases recorded for Tier I Regional Mall and Suburban Multiple-Unit Residential. Despite drops in year-over-year volume, the decreasing cap rates in both the office and industrial sectors suggest a potential increase in momentum moving forward as investors regain confidence in Alberta markets.

The efficacy of the vaccine rollout will push some recovery forward for the Calgary market, but investor interest still lacks and may hinder this progress. With industrial and land transactions maintaining strong performance levels at the beginning of 2021, some signs point to growing momentum moving forward. Still, the market waits for a more favourable investor outlook on Calgary assets that is needed in order to recover.



Source: Altus Group

Notable Q1 Transactions

21209 72nd Street SE, Calgary – ICI Land

This 532-acre parcel of land is located to the south of the Seton Town Center and the Area Structure Plan of Rangeview. The property is currently zoned for ANRI (Agricultural and Natural Resource Industry). The Telsec Group acquired it for $57 million, a per acre value of $107,084.

11575 & 11576 Stonehill Drive NE, Calgary – ICI Land

Located in Stonegate Landing, a developing industrial park which also includes office and retail uses, this parcel contains just under 58-acres. The transaction was for a 50% stake in the property, a sale price of $20.8 million. The price per acre based off the 100% equivalent price is $720,000, with a price per square foot buildable of $716. AIMCo sold the 50% stake to Crestpoint Real Estate Investments Ltd.

Arris, East-Village – Residential Land

A unique transaction involving the Arris project, BOSA Development purchased the air rights above the commercial podium of the mixed-use condominium tower from RioCan REIT for a total of approximately $20.4 million. The total complex located at 530 3rd Street SE includes a 25-storey residential tower which was developed by BOSA. They also acquired additional air rights from RioCan REIT for a different portion of the podium in April of 2020.

Barlow Center, Foothills Industrial Park – Industrial

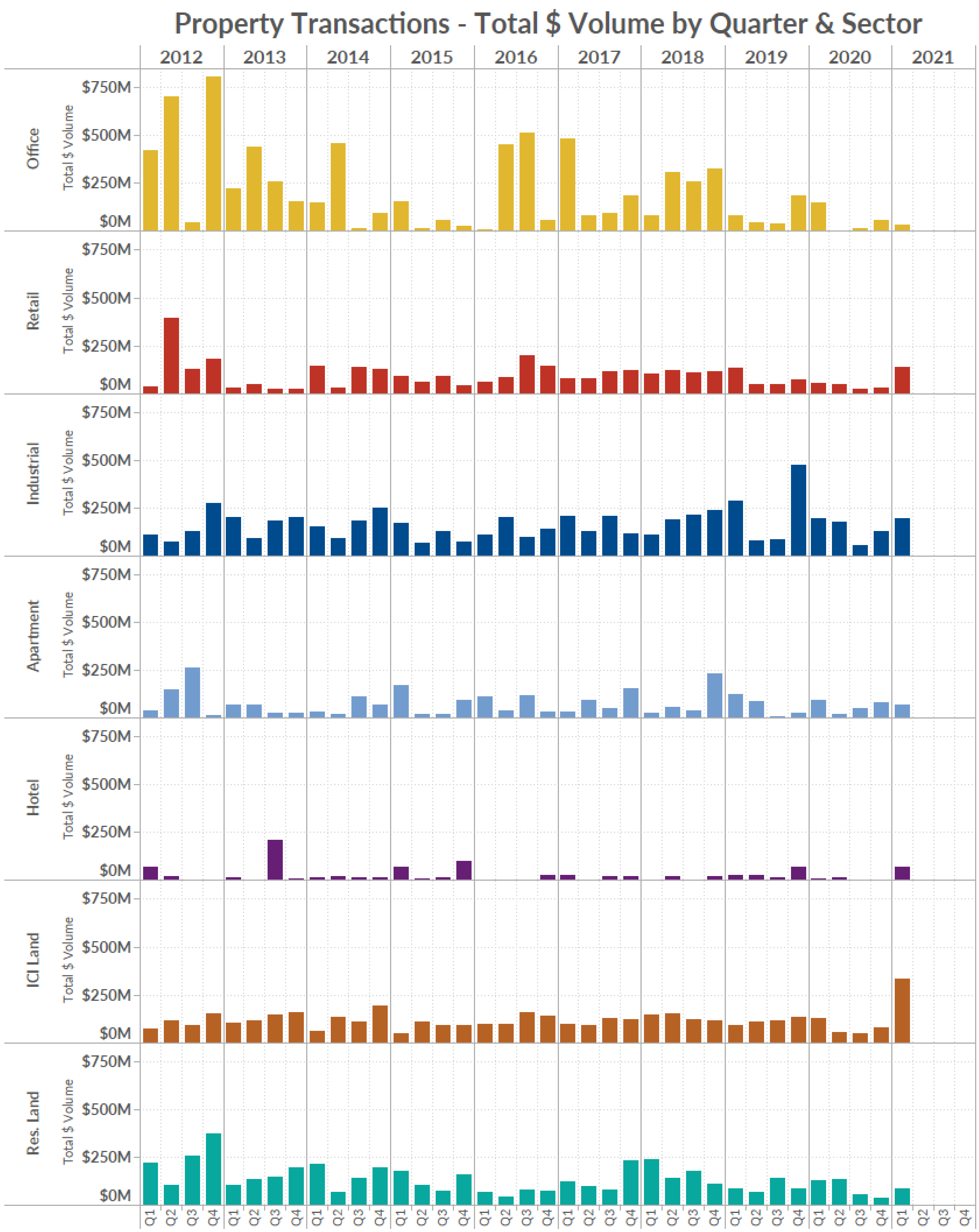
Groupe Touchette acquired this 226,453 square foot warehouse and distribution facility from York Realty. The price was $106 per square foot, for a total of $24 million. Located at 4760 72nd Avenue SE, the property features 24 truck level doors, one drive-in door and nine rail doors. Previously, York Realty had acquired the property in 2016 for a total consideration of $21.3 million.

Shopped at Sunridge, Sunridge Business Park– Retail

The largest Calgary retail sale of the quarter, the Shoppes at Sunridge is a 39,605 square foot, 5-building, retail condominium complex currently under construction and pre-selling. Hillsboro Group of Companies acquired the property in a distressed court ordered sale, for a total price of approximately $17.7 million.

Property Transactions by Quarter and Sector

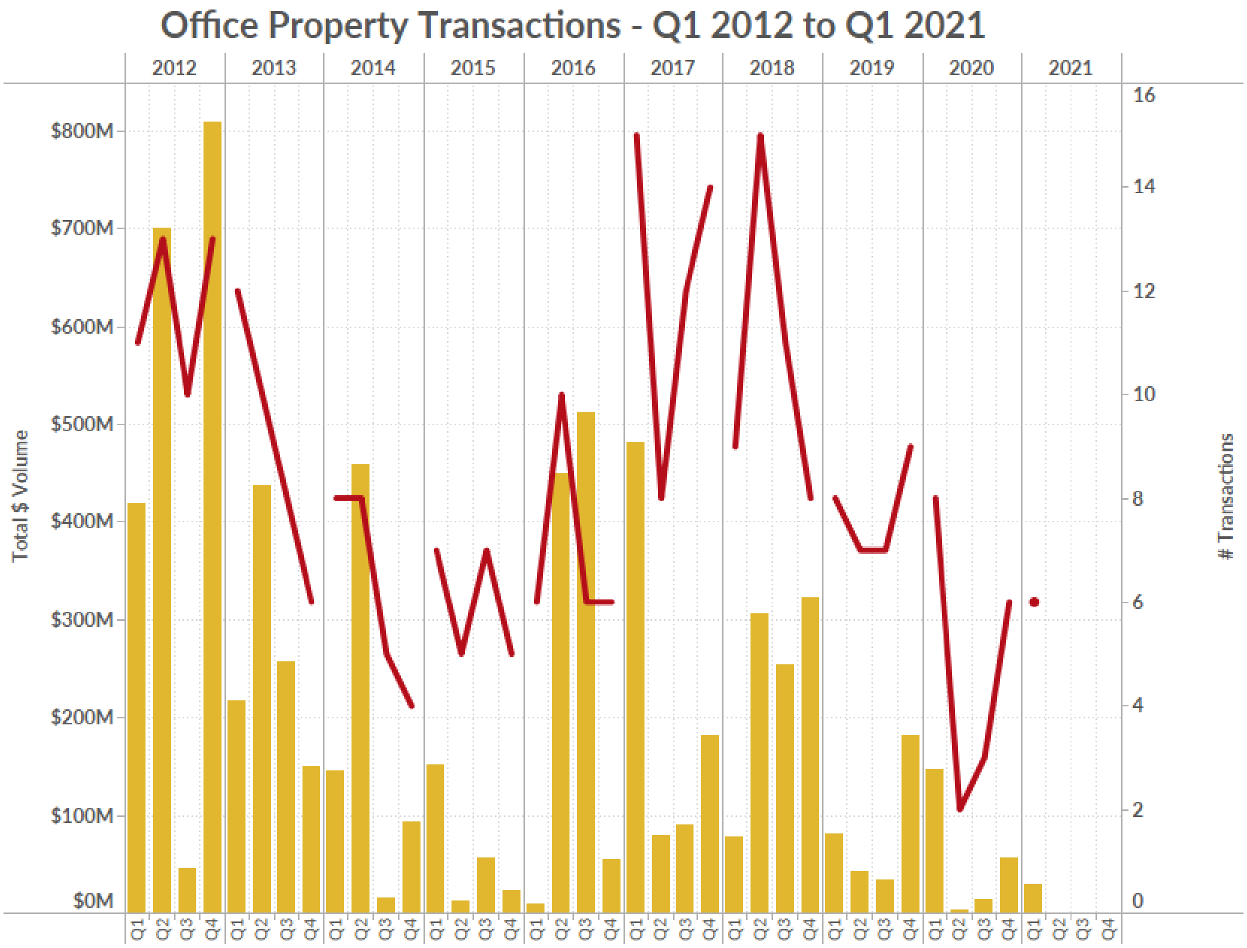
Compared to the same quarter last year, the Retail, Industrial, hotel, and ICI Land sectors all saw growth in Q1 2021.



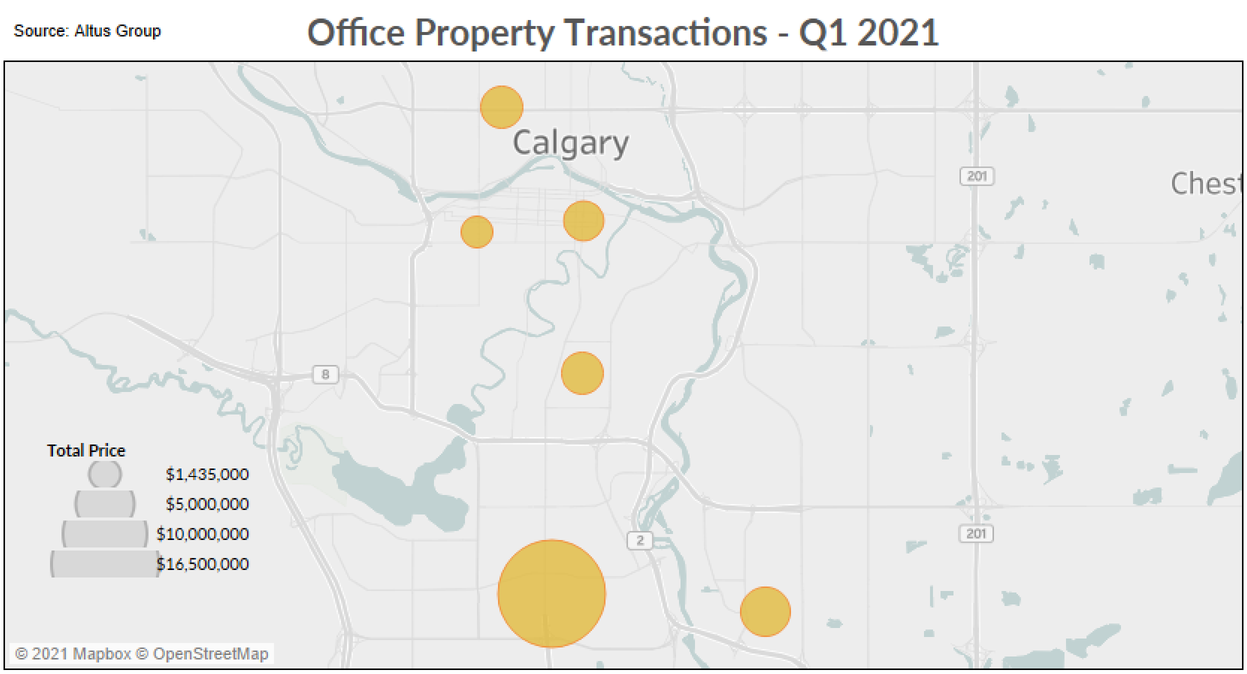
Source: Altus Group

Office Transactions

Struggles in the Calgary office market continued into 2021 with just six transactions recorded in the first quarter – an 80% decrease from Q1 2020.



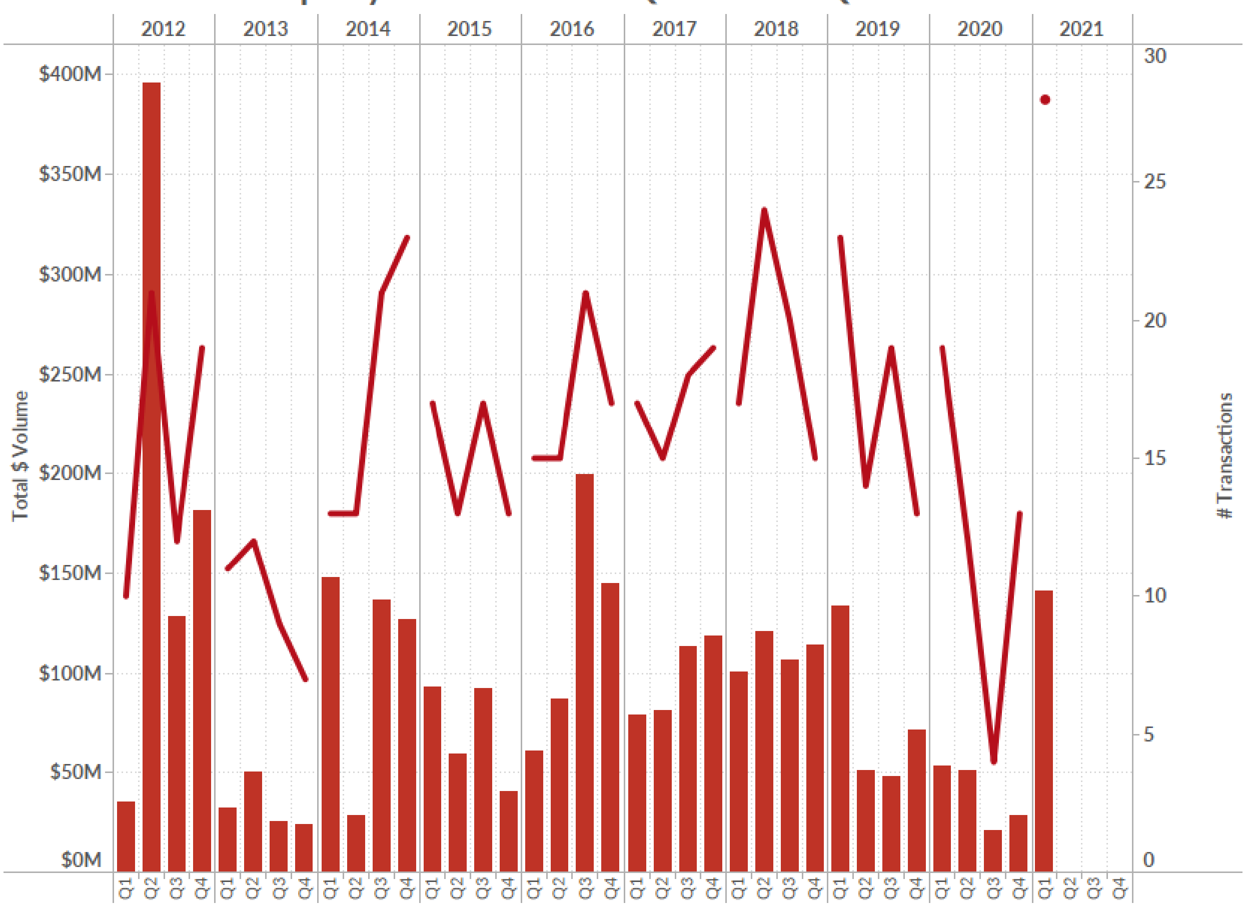
Source: Altus Group



Retail Transactions

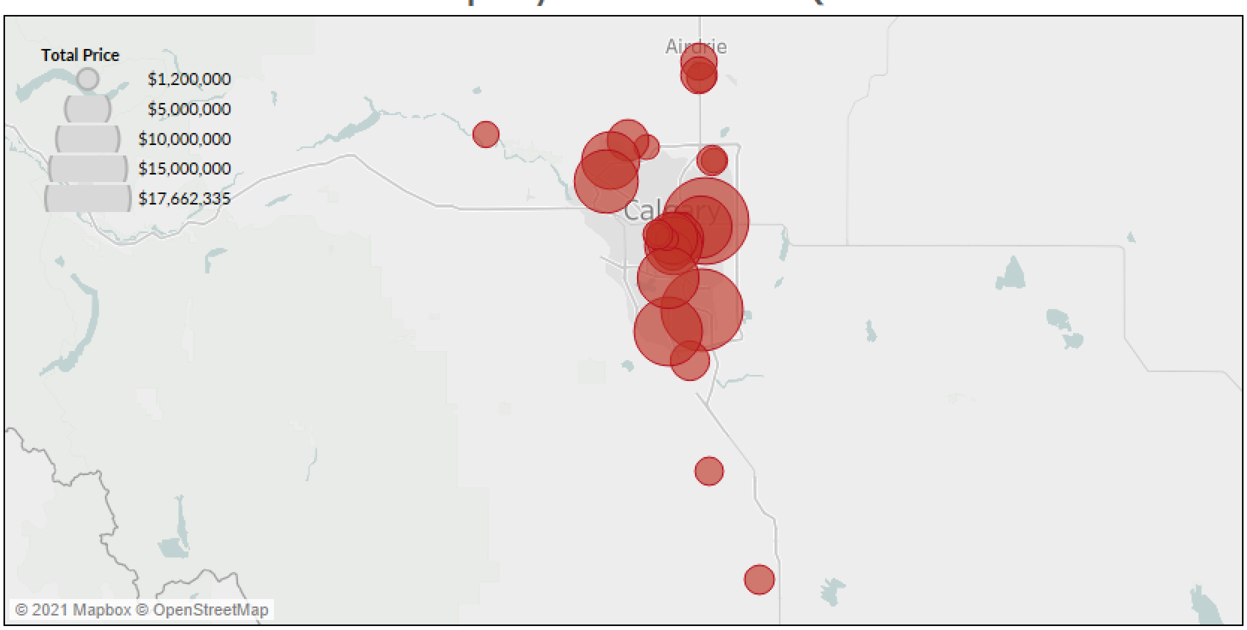
Investment in the retail sector rebounded to start 2021 with transaction volumes up 164% from Q1 2020. The $141M in volume recorded for Q1 2021 represents the highest of any quarter since Q4 2016.

Retail Property Transactions - Q1 2012 to Q1 2021



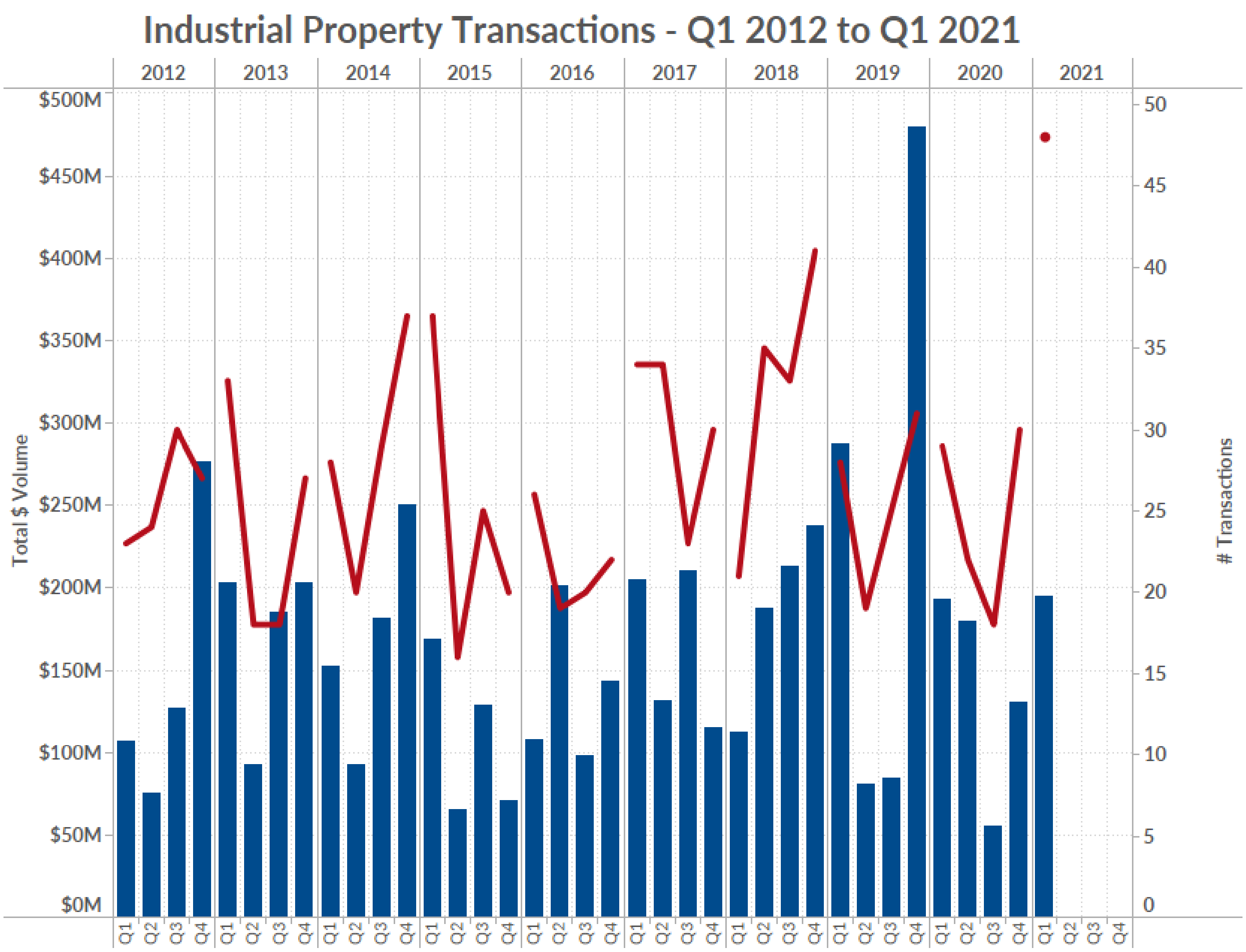
Source: Altus Group

Retail Property Transactions - Q1 2021

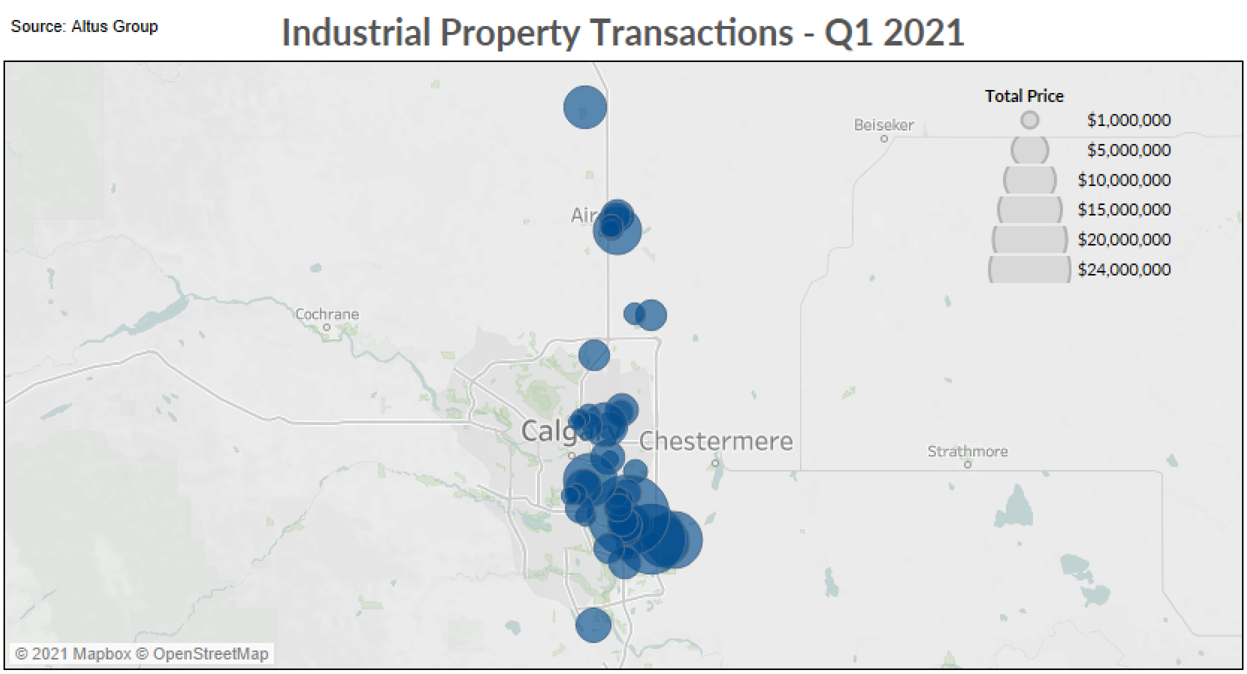


Industrial Transactions

The industrial sector has been a relatively consistent performer in the Calgary market as of late. This trend continued into Q1 2021 with investment volumes up 1% from Q1 2020.

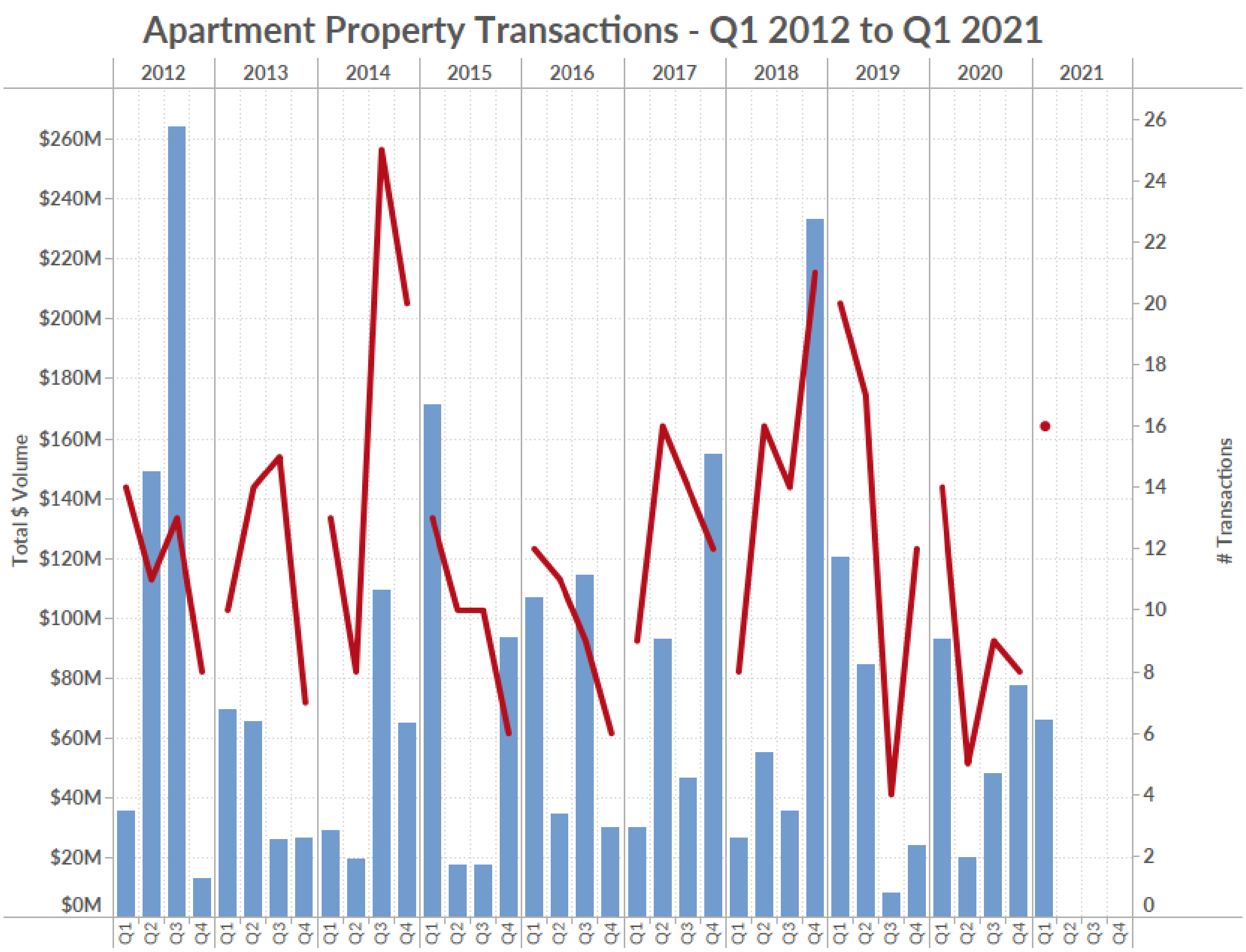


Source: Altus Group

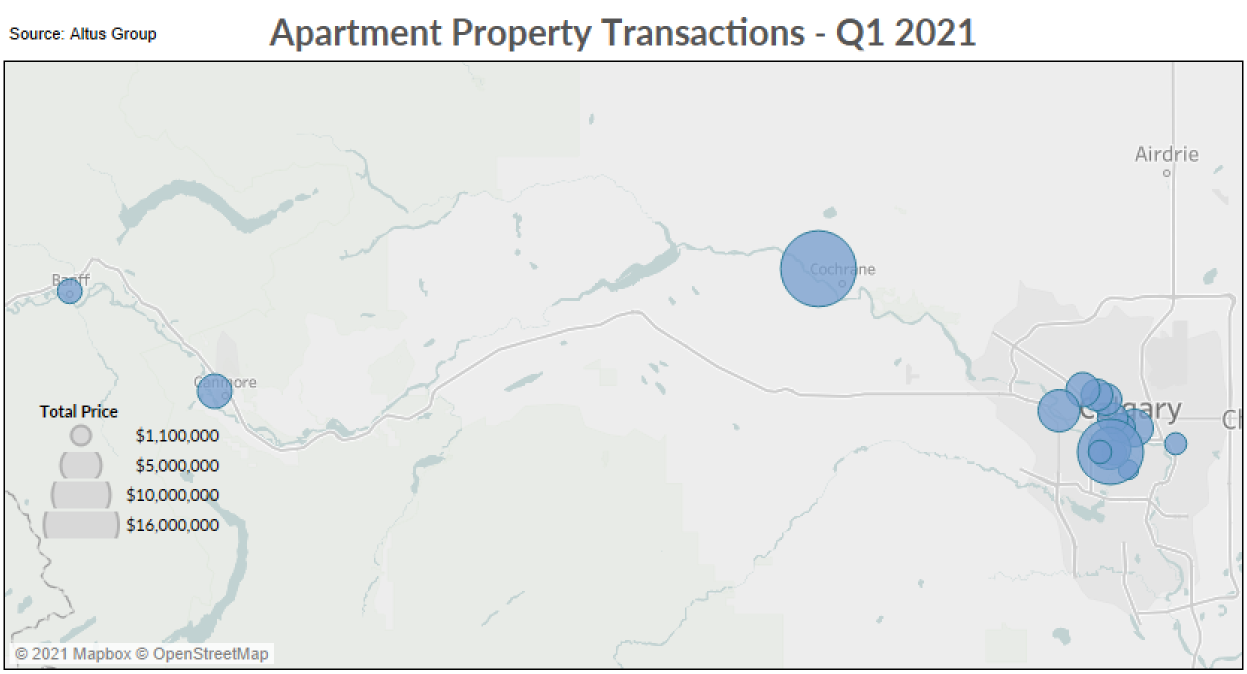


Apartment Transactions

The multi-family sector took a step back in Q1 2021, with overall investment volume down 28% from Q1 2020.



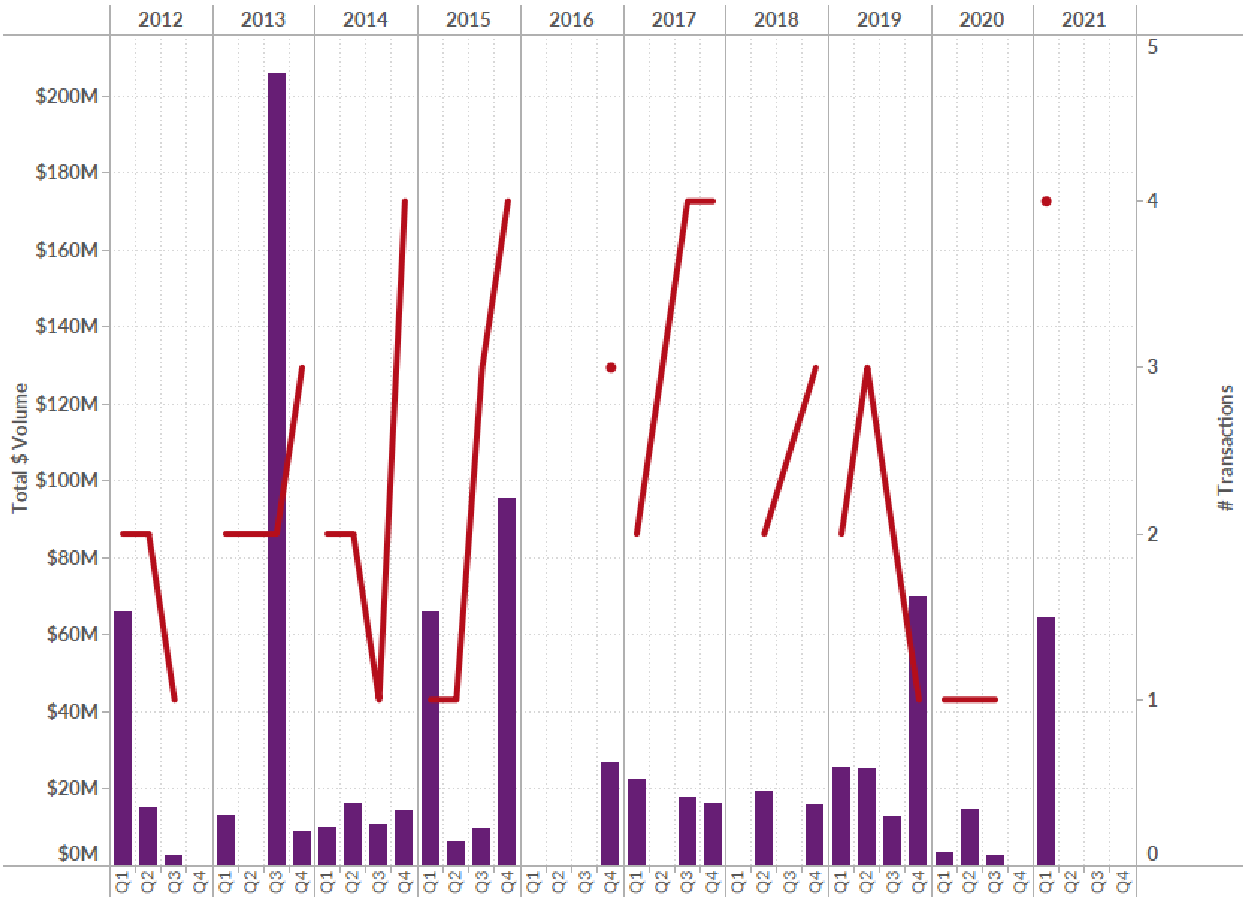
Source: Altus Group



Hotel Transactions

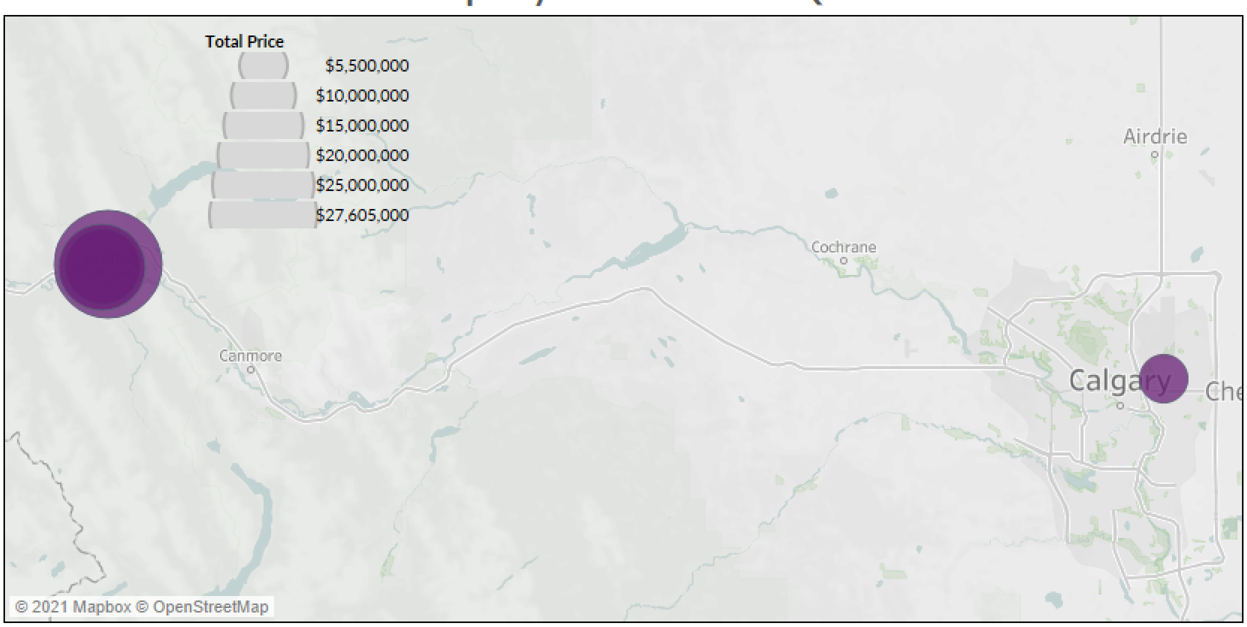
Hotel investments in the Calgary market continues to be inconsistent, though Q1 2021 was a particularly strong quarter with four sales reaching a total of $64M.

Hotel Property Transactions - Q1 2012 to Q1 2021



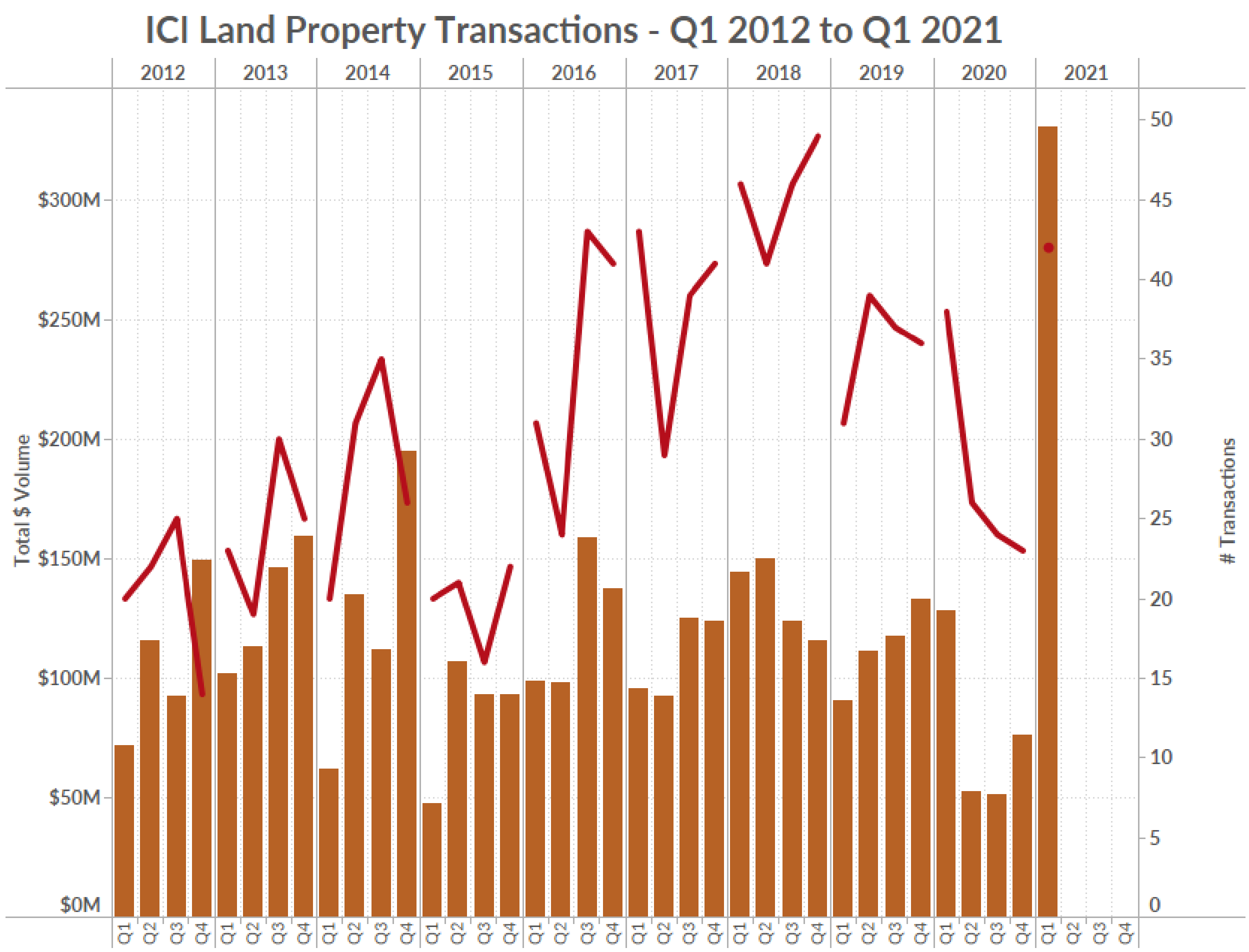
Source: Altus Group

Hotel Property Transactions - Q1 2021



ICI Land Transactions

ICI Land was the star performer in Q1 2021 with investment volumes up 158% to $331M – a record high in the Calgary market. This was aided by some large transactions with government purchasers.



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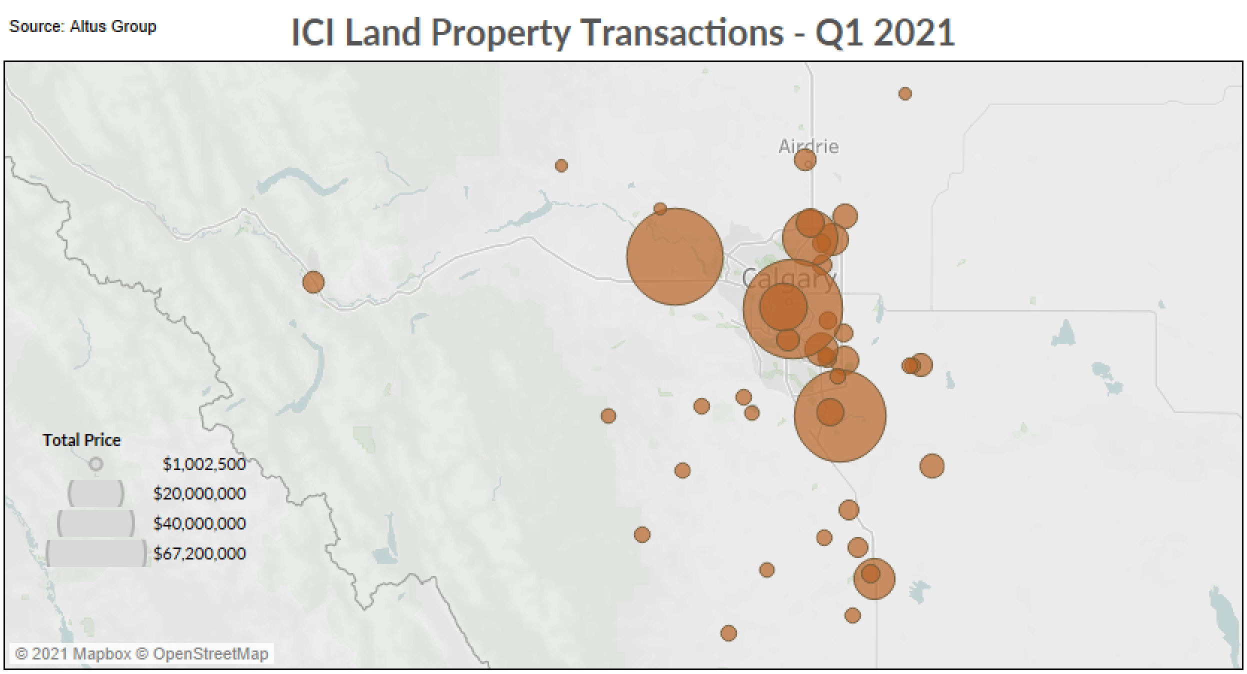
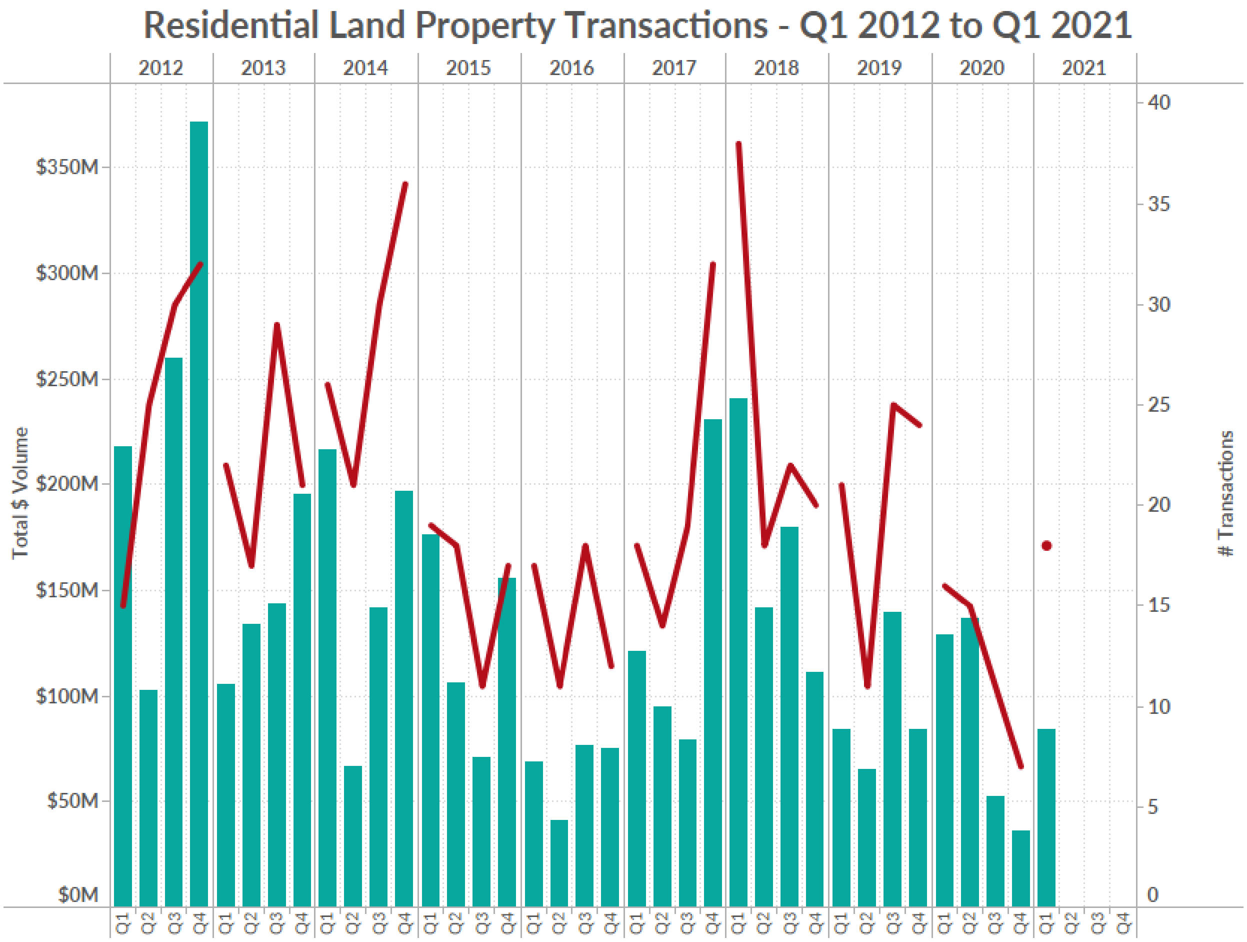


Residential Land Transactions

The residential land sector continued to struggle in Q1 2021, with transaction volumes down 35% compared to Q1 2021 as investors continue to exercise caution in acquiring new development land.



Source: Altus Group