

2023

Q1 | Calgary RETAIL
Market Report

CALGARY RETAIL MARKET UPDATE | MAY 2023

We were pleasantly surprised at the investment numbers for the first quarter of 2023. To say numbers this strong were unexpected would be an understatement. This is especially true in that most economic forecasts were projecting a downturn in activity for 2023.

More than \$129 million in transactions closed among retail assets during Q1 2023, which is up significantly from the \$49.2 million a year earlier. This is due to both increased sales activity as well as two big-ticket sales that exceeded \$25 million. Year-over-year total sales jumped from 7 to 16 by March 31st, 2023. The \$33.2 million sale of McKnight Village Shopping Centre (\$383/sq.ft. & 7.1% cap rate) and the \$28.5 million sale of T&T Honda (\$473/sq.ft.) were major contributors to the overall increase in year-to-date dollar volume.

Over the last few years, we've witnessed incredibly strong demand for commercial condominiums in the Calgary market, and with a 36% year-over-year increase in investment, the appeal of owning one's real estate appears to be holding strong. We had anticipated a decrease in this type of asset due to the quick and consistent interest rate increases through late 2022, but it seems this had little influence.

VACANCY RATES

Calgary 2.9% and staying relatively flat for 3 years. However smaller retail properties are seeing slightly higher vacancy rates at 9.4%.

LEASE RATES

As a result of the sustained demand, average rental rates have been on an upward trajectory, though the pace of growth has slowed and will remain between 0% and 2% annually throughout the year. Looking backward, Calgary retail rents had accelerated since mid-2021, along with the Canadian market as a whole, and have continued to do so since mid-2022 when the national market started to experience a deceleration of rents. Lease rate growth over the past year has been flat, moving by 0%, year-over-year. Currently, average rates across the region remain at \$28-\$30 PSF.

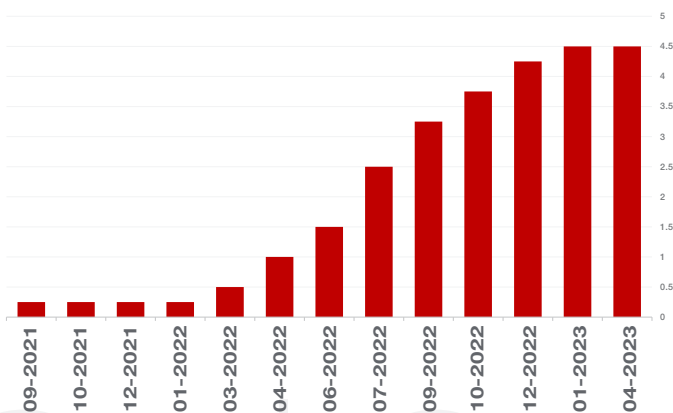
INTEREST RATES

Rates have risen at the fastest pace in decades, and it's taking investors time to adjust. Many commercial real estate owners still pay rates lower than current levels within existing debt, so refinancing activity has slowed. It's unclear if rates will continue to rise or if the Bank of Canada will change course in the second half of the year. Sentiment has been that interest rates are expected to drop by early 2024.

On April 12th the Bank of Canada held its target Bank Rate at 4.5% but the language in its announcement suggests it may not be done on rate hikes for 2023. The next interest rate announcement is June 7 2023.

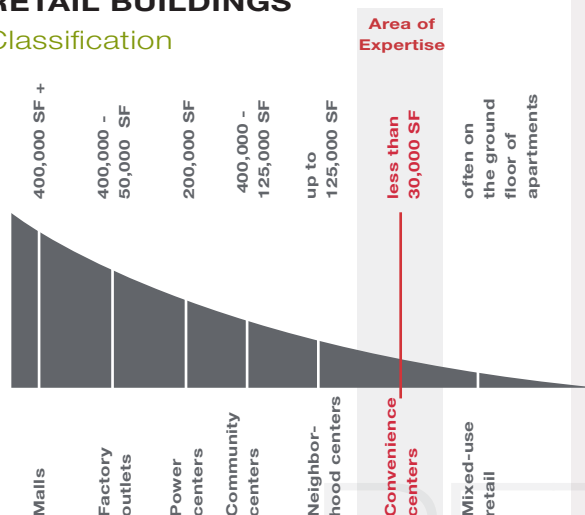
INTEREST RATES

Bank of Canada policy interest rate 4.5%



RETAIL BUILDINGS

Classification



\$267.3 million

2022 TOTAL \$ VOLUME

31

2022# TRANSACTIONS



\$390/ SF

MARKET PRICE PSF



2.9%

VACANCY RATE



5.5% - 6.0%

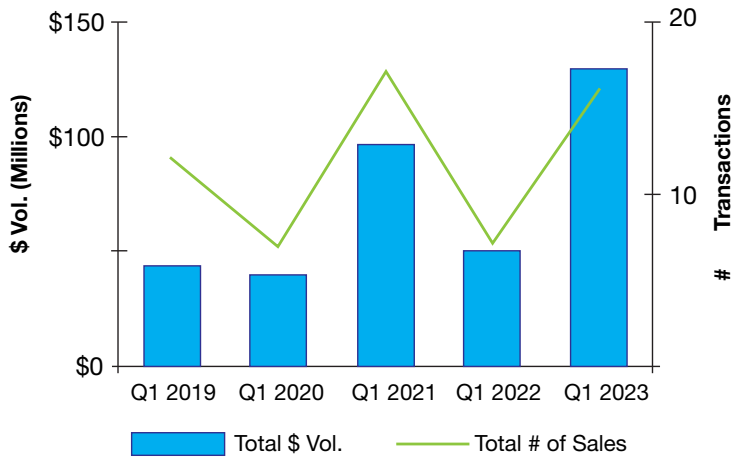
EXPECTED CAP RATES



\$28-30/SF

AVERAGE LEASE RATE

TOTAL RETAIL \$ VALUE & # OF TRANSACTIONS

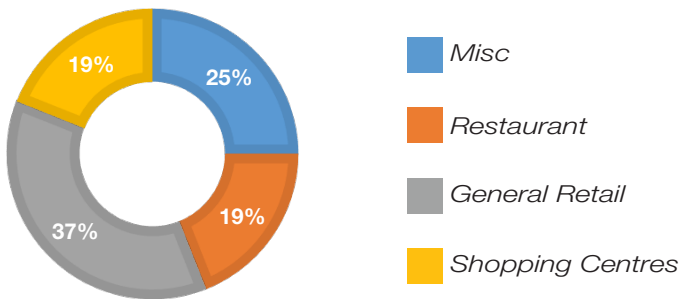


CALGARY MARKET SUMMARY

Economic uncertainty remains high for commercial real estate through the rest of 2023. There are plenty of big questions—including the interest rate environment and the future of office space. But there are also positives: Multifamily and industrial continue to perform well, and the industry may have underestimated the strength of neighborhood retail. Both retailers and consumers will be more cost-conscious, however quality of service is not to be overlooked.

Despite the economic uncertainty Calgary proves to be a desired city and recent estimates indicate Calgary is growing by 62 residents per day. With this increase and growth, we anticipate a very strong and active market for the remaining balance of the year.

RETAIL SALES DISTRIBUTION



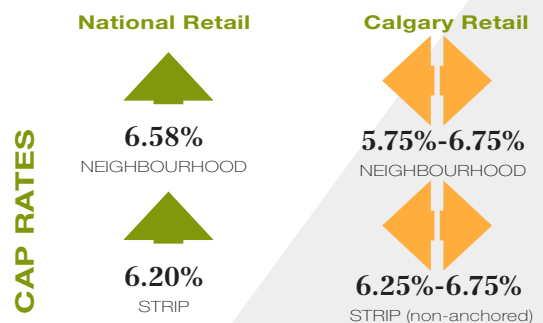
NEIGHBORHOOD RETAIL

Due to the massive increase in the number of employees working from home over the last 3 years there has been a reassessment of the value of neighborhood retail to a community, and in our case, to investors. Being home more often, consumers found they prefer to shop local more often and wanted bigger brands to come to them. E-commerce accounts for roughly 15% of retail sales, so it's clear consumers can't get everything online. There are still services that favor or even require in-person visits.

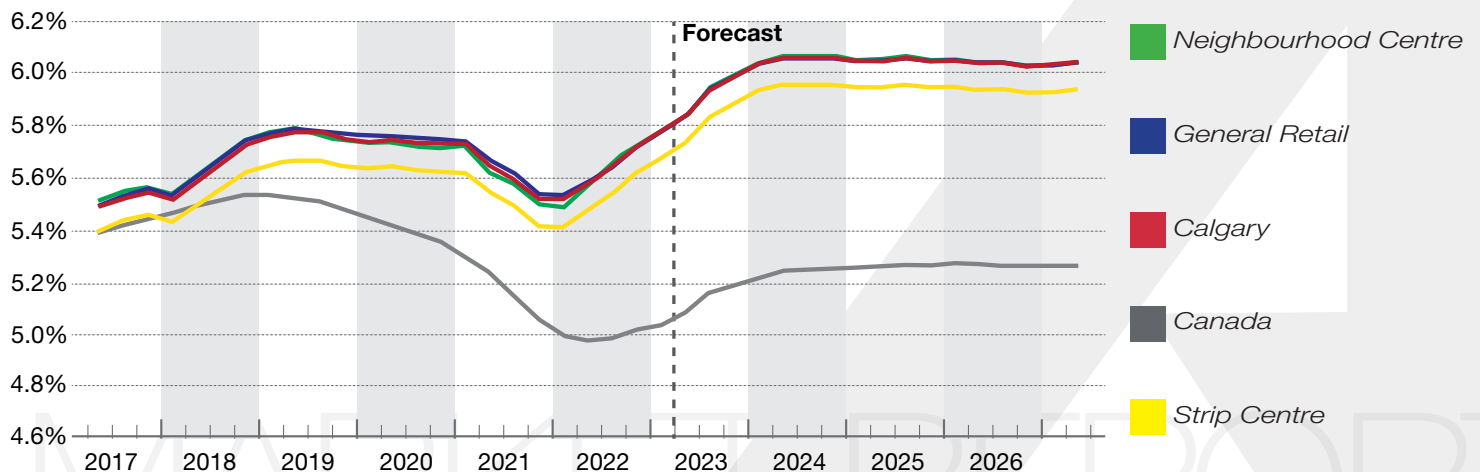
NOTABLE & INTERESTING:

Bank of Canada's announcement of an online public consultation on the prospect of a digital Canadian Dollar, a central bank digital currency (CBDC). The Bank has indicated private cryptocurrencies could compromise the role of an official, centrally issued Canadian currency in our economy and pose a risk to the stability of our financial system. This initiative echoes other central banks attempting to mitigate the loss of control over the supply of digital money and payments systems (check out CBDCtracker.org). Accordingly, we anticipate heated and timely debate with respect to freedom, privacy versus surveillance and control related to use of the currency. The online consultation runs until June 19. A report summarizing the results of this consultation is promised to be published later this year

The majority of businesses in Alberta are small businesses comprising 95% of all business in the province and are drivers of the economy, accounting for almost 30% of Alberta's GDP and employ 2/3's of our labour force.



MARKET CAP RATES



PROPERTY	324 16 AVE NW	1101 48 AVE NW	5303 68 AVE SE	5015 CENTRE STREET NW	5512 4 ST NW	219/221 19 ST NW
Description	Retail: General	Retail: General	Retail: Shopping Centre	Office: Suburban	Retail: General	Retail: General
Site Size	0.21 Acres	0.29 Acres	3.43 Acres	0.13 Acres	0.28 Acres	0.14 Acres
Bldg Area SF	3,770	4,000	20,728	1,917	2,100	6,076
Sale Price	\$1,350,000	\$1,390,000	\$6,550,000	\$777,000	\$1,600,000	\$1,660,000
Sale Date	01/27/2023	01/13/2023	11/21/2022	10/20/2022	09/12/2022	08/25/2022
Unit Price	\$358.09	\$347.50	\$315.99	\$405.32	\$761.90	\$273.20
Subdivision	Mount Pleasant	North Haven	Great Plains	Thornccliffe	Thornccliffe	West Hillhurst
Year Built	1970	1968	2002	1953	1970	1949

PROPERTY	4100 MARLBOROUGH DR NE	5512 4 ST NW	2650 36 ST SE	502 25 AVE NW	2220 20 AVE NW	4850 WESTWINDS DR NE
Description	Retail: Shopping Centre	Retail: General	Retail: Shopping Centre	Retail: Shopping Centre	Retail: General	Retail: Shopping Centre
Site Size	0.51 Acres	0.28 Acres	0.57 Acres	0.28 Acres	0.23 Acres	0.52 Acres
Bldg Area SF	7,555	2,100	12,000	7,753	9,172	10,776
Sale Price	\$2,700,000	\$1,100,000	\$2,550,000	\$2,415,000	\$1,525,000	\$3,333,333
Sale Date	06/29/2022	06/23/2022	05/18/2022	04/26/2022	04/21/2022	04/14/2022
Unit Price	\$357.47	\$523.81	\$212.50	\$311.49	\$166.27	\$309.33
Subdivision	Marlborough	Thornccliffe	Forest Lawn	Mount Pleasant	Banff Trail	Westwinds
Year Built	1974	1970	1979	1999	1961	2015

FOR SALE

Property type:	Automotive Services
Building Area:	2,984 sq. ft.
Land Area:	0.29 acres
Yard Area:	6,000 + SF (Fenced)
Zoning:	I-R (Industrial - Redevelopment)
Price:	\$1,250,000 (including equipment)
Parking:	14 Stall plus street parking

FEATURED LISTING | INDUSTRIAL BUILDING

5544 1A STREET SW | FREE-STANDING



FEATURED LISTING | RETAIL BUILDING

1501 17 AVENUE SW | FULLY LEASED



C/S

Property Status:	Fully Leased
Building Area:	10,302 sq. ft.
Land Area:	12,466 sq. ft. (~ 0.286 acres)
Zoning:	C-COR1 f3.0h20
Year Built:	1952
Price:	Contact
Parking:	14 surface stalls

SIGN UP

FOR OUR UPDATES ON THE CALGARY COMMERCIAL REAL ESTATE MARKET



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