

# Calgary Commercial Real Estate Investment Market Overview

2020-2022

*This report provides a detailed synopsis of the commercial real estate market in Calgary in the context of the tumultuous previous three years, specifically tailored to the interests and needs of investors and owners.*

*We have included key trends and data on the performance of the commercial sectors and sales transactions, as well as exclusive insights for my existing clients.*

*Thank you for taking the time to review this report, and we look forward to assisting you in optimizing your real estate assets.*



## Blair Best

ASSOCIATE, INVESTMENT SALES

c: 403-669-3969

o: 403-290-0178

bbest@barclaystreet.com



## Overall Investment Market

### Q4 2020

At this point in time of the market, investors in Calgary's commercial real estate (CRE) market took a breather during the fourth quarter of 2020. While sales activity and total dollar volume were both up year-over-year through the first three quarters of 2020, these metrics both finished lower on December 31st. CRE investment for 2020 reached a respectable \$1.55 billion, representing 82% of 2019-dollar volume. Continuing a trend seen throughout 2020, commercial condos were in high demand as investors scooped up 207 units totaling \$76.8 million. Industrial properties drew \$450.2 in total investment – again, by far the most of any of the asset classes in Calgary. Land was the other hot spot with more than \$400 million invested.

### Q4 2021

Investor confidence and activity in Calgary's CRE market through the final quarter of 2021 was surprising. As the year closed, sales activity increased by 60% over 2020 and total dollar volume exceeded \$2.3 billion; a 49% year-over-year rise.

Investment was driven in large part by demand for industrial properties, which generated more than \$561 million in total investment. Demand for retail properties generated just under \$520 million in total sales. Commercial condos remained objects of desire in a big way through 2021, with 349 sales though the year. Of those, industrial condos comprised 54% of the commercial condo sales. At the other end of the spectrum, commercial office assets represented the fewest total sales. Despite a fourth-quarter rally of 13 transactions, 2021 saw just 34 commercial office properties change hands.

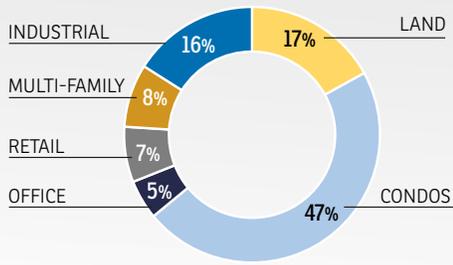
Notable in their absence from these totals are the sales of The Bow and Western Canadian Place – some of Calgary's most iconic office buildings – totaling just under \$1.7 billion. These transactions alone would have nearly doubled CRE investment for the year.

### Q3 2022

CRE investment in the Calgary market continued to pick up steam as 2022 progressed, with an additional \$621 million in sales closing during the third quarter of the year. This brought total year to date (YTD) dollar volume to more than \$3.12 billion, a 234% year-over-year jump. On September 30th, all asset classes saw year-over-year increases in dollar volume despite an overall decrease in total number of sales.

		Q3 2021	Q3 2022	YEAR-OVER-YEAR CHANGE
LAND	Total \$ Value:	\$278,005,166	\$390,253,993	\$112,248,827
	No. of Transactions:	54	80	+26
BUILDINGS	Total \$ Value:	\$1,055,332,887	\$2,736,201,345	\$1,680,868,458
	No. of Transactions:	435	395	-40
TOTALS	Total \$ Value:	\$1,333,338,053	\$3,126,455,338	\$1,793,117,285
	No. of Transactions:	489	475	-14

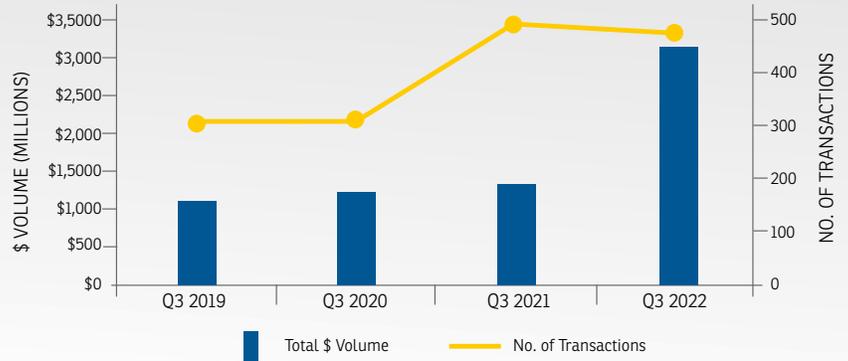
### Q3 2022 OVERALL SALES DISTRIBUTION



As mentioned, the \$1.2 billion sale of The Bow represents a significant portion of YTD dollar volume. Stripping that transaction out still leaves investment totaling \$1.91 billion and keeps Calgary above historical norms. Removing this outlier also reveals just how low demand for office properties remained; just 21 other sales have closed at a total of \$137.3 million.

Fueling the strong third quarter investment numbers was ongoing demand for industrial properties. This asset class generated just

### TOTAL OVERALL \$ VOLUME AND NO. OF TRANSACTIONS



under \$584 million in total investment. Land sales totaled more than \$390 million while an uptick in multi-family properties during Q3 increased total dollar volume in these assets to more than \$332 million. Sales of retail properties slowed during the third quarter, but total investment still increased year-over-year to \$267 million. As in previous quarters, commercial condos remained popular, with 226 sales totaling \$199 million closing before September 30th. ■

## Office Investment Sector

**Q4 2020** Looking back, seven sales totaling \$40.5 million were completed during the final quarter of 2020, bringing office investment to \$228.3 million over 21 cumulative sales for the year. This is one transaction shy of 2019 activity but a 17% (\$45.7 million) decrease in dollar volume. The year-over-year decrease is due largely to a single big-ticket sale at the end of 2019. Both years had a similar number of sales greater than \$20 million (seven in 2019 versus 6 in 2020) but Q4 2019 saw 3699 - 63 Avenue NE purchased for \$100 million. The largest transaction of 2020 remains the \$50 million purchase of 110 - 12th Avenue SW in Q1.

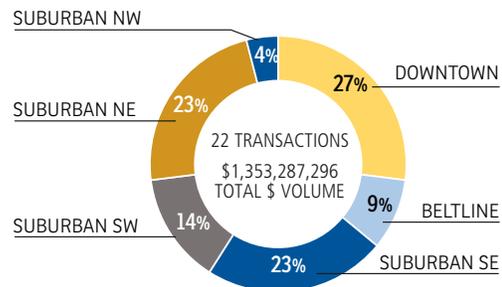
**Q4 2021** Nearly half (\$64.9 million) of 2021's office investment came in over 13 sales during the final quarter of the year. Despite the late-year rally however, total investment in this asset class came in at \$135.6 million; a 40% decrease from the \$228.3 million in 2020.

The above numbers are, however, absent several big-ticket transactions that were announced in the second half of 2021 but closed in 2022. With land transfers still lagging to be registered, a lid has been kept on investment numbers in this asset class. Among those not in our numbers are The Bow (\$1.2 billion), Western Canadian Place (\$475 million), Balboa Stephen Avenue Portfolio (\$6 million) and Calfrac Building (\$5.5 million).

**Q3 2022** Six office building transactions closed during the third quarter, adding \$14.2 million to the September 30th total of \$1.35 billion. Outside of The Bow transaction, just over \$137 million was invested; substantially higher than the \$101 million and \$68.1 million invested at Q3 2019 and 2021, respectively, while well below the \$187 million invested at Q3 2020. The first quarter of 2021 represented a multi-year low for investment in office properties.

To date, six transactions – including The Bow - have closed above \$10 million. No sales above this threshold closed during the third quarter, however, indicating an ongoing suppressed appetite for bigger-ticket properties. The largest sale of Q3 was the \$8.9 million sale of 7175 - 12 Street SE, which was part of a two-property portfolio transaction that included 7545 - 52 Street NW, Edmonton (\$4,100,000). ■

### OFFICE BUILDINGS SALES DISTRIBUTION



### TOTAL OFFICE BUILDINGS \$ VOLUME AND NO. OF TRANSACTIONS



# Retail Investment Sector

## Q4 2020

Compared to 2019, dollar volume invested in retail assets decreased markedly from \$191.6 million to \$101.7 million. Activity was also notably lower at just 23 transactions through 2020 versus 29 a year earlier.

While each quarter of 2020 was slightly behind the 2019 equivalent in both dollar volume and sales activity, there was a large drop-off in dollar volume during Q4 2020. Just \$19 million over seven total sales were completed during the final quarter of 2020 versus more than \$54 million in Q4 2019. The largest transaction of 2020 was the \$23.75 million purchase of 2123-33 Avenue SW (Marda Loop Village) by Calgary CO-OP in Q1.

## Q4 2021

Dollar volume invested in retail assets increased markedly from \$101.7 million in 2020 to \$519.9 million by December 31st 2021. Activity in this asset class more than doubled year-over-year from 23 transactions to

59. The fourth quarter alone saw a doubling of Q4 2020 sales, with 15 transactions closing for a total of \$274.5 million. This comprised approximately half of 2021's total investment.

The largest transaction of 2021 was the \$155 million purchase of 516 - 8 Avenue SW by 1183044 Alberta Ltd. This transaction entails a 50% interest acquisition in Core Shopping Centre & four office towers: TD Square Dome Tower, TD Square Home Tower, TD Canada Trust Tower & Lancaster Building.

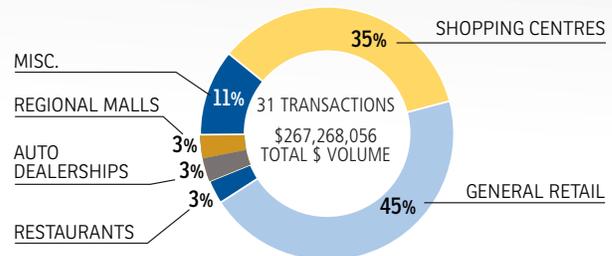
## Q3 2022

Nearly \$57 million in transactions closed among retail assets during Q3, bringing total dollar volume on September 30th to \$267.3 million. This is up slightly from the \$244.3 a year earlier, boosted by several big-

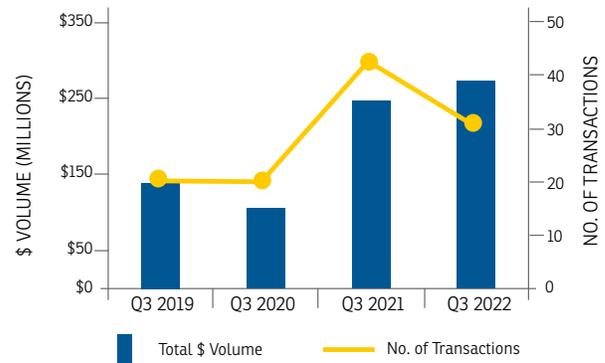
ticket sales that exceeded \$25 million. Year-over-year total sales were down however, to 31 from 43.

The \$69.6 million sale of Marlborough Mall from HOOPP to Marlborough Mall Holdings Inc. was a major contributor to the overall increase in year-to-date dollar volume. At the low end of transaction size, but commanding top-dollar per square foot, was 5512 4 Street NW which sold for \$762/sf. to Danielle Jonathan et al. ■

RETAIL SALES DISTRIBUTION



TOTAL RETAIL \$ VOLUME AND NO. OF TRANSACTIONS



# Market Summary & Outlook

## Q4 2020

Investment through 2020 was down by 18% overall compared to 2019 on only slightly lower sales activity, the final quarter of the year was the source of weakness.

Per our previous 2020 report, both investment dollar volume and sales activity were up through September 31st. The 2020 year started with signs of recovery in both the economy and the real estate market and maintained surprising momentum. In the final quarter of the year, however, sales began an overall downward trend with dollar values following suit.

The short-to-medium term effects of the stronger social and retail restrictions we experienced through November and December were unclear at the end of 2020. Based on the trends however, an ongoing moderating effect on sales activity in the first quarter of 2021 was observed, even as the Provincial government gradually eases the currently tight restrictions. Given the ongoing adjustments to business and investment stemming from the COVID-19 pandemic, overall sales activity is anticipated to remain essentially flat, and the potential remains for noticeable value declines as we move into 2021.

## Q4 2021

After a slight mid-year lull in commercial investment activity, investors became active again through the third and fourth quarters of 2021. The 49% year-over-year increase in commercial investment, accompanied by dramatically increased late-year sales activity, appears to bode well for 2022.

With Alberta's COVID-19 Restriction Exemption Passport securely in place at this time, vaccinations continuing to increase and early indications suggesting additional waves of virus-related infections is nearing its peak, a strong beginning to 2022 was predicted.

That having been said, based on the trends through 2021 and on trends noted during 2020, we predict an ongoing focus on commercial condominiums through 2022.

## Q3 2022

As 2022 progressed through the second and third quarters, investment in the Calgary commercial real estate market continued to accelerate and rise well above the 2019-2020-2021 average. The \$1.9 billion

invested year-to-date outside of The Bow sale remains substantially above the average dollar volume seen at the third-quarter points of years going back to 2019.

Over the last few years, we've witnessed incredibly strong demand for commercial condominiums in the Calgary market. Most assuredly, the historically low interest rates seen since the onset of the COVID-19 pandemic made the financing of these investments much easier to carry. That said, despite the Bank of Canada's increases to its benchmark rate through the summer and into autumn, we did not see an appreciable quarter-over-quarter decline in commercial condominium sales; 65 transactions through Q1, 90 during Q2 and 71 through Q3. This is something worth keeping an eye on.

We continue to be pleasantly surprised at the number of big-ticket properties sold as we move through the year. As noted earlier, prior years in which investment began at a slower-than-expected start indicated that a focus by investors on properties with smaller price tags was a reasonable expectation as the year proceeded. Notably, 2022 has not played out according to that script through the end of this third quarter. ■

Source: The Network; CoStar

## About Barclay Street Real Estate

### Corporate Services:

- Real estate investments
- Office, Retail, Industrial leasing and sales
- Lease advisory services
- Development
- Strategic planning services
- Property management, both commercial and residential.

Founded and operating in Alberta, Barclay Street Real Estate Ltd. ('Barclay Street') is a **full-service** commercial real estate brokerage and property management firm with offices in Calgary and Edmonton.

Over the past 45 years, our team has guided clients in making sound business decisions by providing unique insights into the local market, along with factually accurate information. Committed to always providing unparalleled professional service, we take pride in our tradition of offering you proactive solutions and results. Today, we continue to commit ourselves to bring professionalism, expert negotiating skills, superior market knowledge, and hard work to all our relationships.

Using the same entrepreneurial spirit we were founded on, we continue to enhance our place as the local experts through innovation, calculated risk taking, and business savvy. It is this spirit, along with our ability to adapt to your unique business goals, that allows us to build long-term client relationships.

Looked to as Alberta's local industry leader for delivering innovative, yet sensible business solutions, we are eager to learn how we can best work with you on your next commercial real estate venture.

[WWW.BARCLAYSTREET.COM](http://WWW.BARCLAYSTREET.COM)



Barclay Street Real Estate also has strong ties to a plethora of international

buyers. As well we are part of the TCN Worldwide network, which is a consortium of independent commercial real estate firms with approximately \$21.6 billion in annual transactions. Furthermore, the network is comprised of 1,500 commercial real estate professionals servicing more than 200 markets.



Barclay Street is proud to be a member in good standing with the Better Business Bureau.



As the largest research organization serving commercial real estate, CoStar is pleased to independently confirm and recognize the most active firms and individual dealmakers in Canada each year. Barclay Street was selected as 2021 CoStar Power Broker Award Winner in the Calgary market.

403-290-0178

200, 407 8<sup>TH</sup> AVENUE SW  
CALGARY, AB T2P 1E5  
[WWW.BARCLAYSTREET.COM](http://WWW.BARCLAYSTREET.COM)



LOCAL  
EXPERTISE  
MATTERS