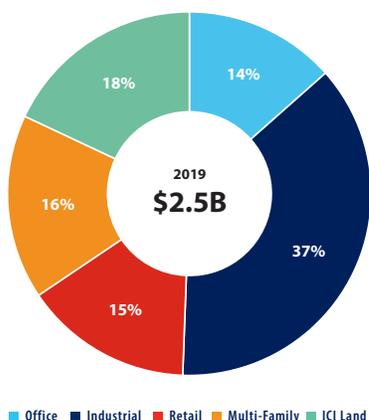


Calgary

Calgary Investment Activity by Sector and Dollar Volume



Annual Investment Dollar Volume

	2017	2018	2019
Office	\$835M	\$960M	\$340M
Industrial	\$695M	\$816M	\$940M
Retail	\$478M	\$554M	\$379M
Multi-Family	\$352M	\$348M	\$416M
ICI Land	\$451M	\$544M	\$455M
Total	\$2.81B	\$3.22B	\$2.53B

2019 in Review

Calgary is stuck in a holding pattern. Calgary has had to cope with a significant economic downturn over the past five years, and has struggled to gain traction in building business and investor confidence.

2019 was a “no growth year” for Calgary’s economy. Sluggish economic performance and low business confidence has been counterbalanced with a relatively stable unemployment rate, continued population growth, and high affordability of housing. The Conference Board of Canada is reporting negative 0.4% GDP growth for 2019. Meanwhile, Statistics Canada reported an average unemployment rate of 7.2% for 2019, reaching a high of 7.7% in March and a low of 6.9% in July and November. Meanwhile, The City of Calgary 2019 Civic Census saw population growth of 18,367 people, a 1.45% increase from 2018.

Housing costs in Calgary remain below other larger centres. According to RBC Economics’ Housing Trends and Affordability report for December 2019 home-ownership costs take up a slightly lower share of income, 38.6%, compared to Calgary’s long-run average of 40.6%, and is well below the Canadian average of 50.7%. Whereas the vacancy rate

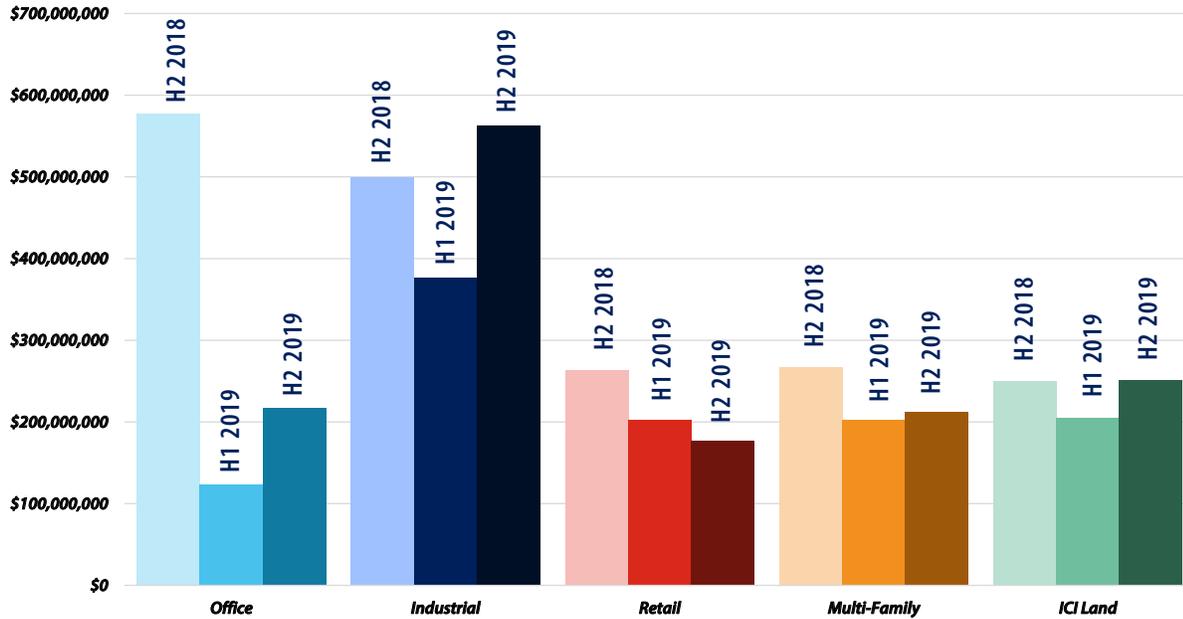
in the rental housing market was unchanged year-over-year as additions to the rental universe were offset by strong rental demand by tenants looking to move into newer product, according to the Canada Mortgage and Housing Corporation (CMHC) 2019 Calgary Rental Market Report.

The total dollar volume of Calgary investment sales in 2019 was \$2.5B across 412 sales, for office, industrial, retail, multi-family, and ICI Land combined. This annual total was down 22% versus 2018’s total of \$3.2B across 499 sales. 2019 was Calgary’s lowest investment dollar volume year since 2015, when the local economic downturn started, which saw \$1.7B in sales across 318 transactions, indicative of the slowdown being felt in the Calgary market.

Several years of sustained positive growth are necessary for Calgary to restore its pre-downturn economic position. Until such time, we will likely see the industrial market remain as the highest performing sector in commercial real estate investment.

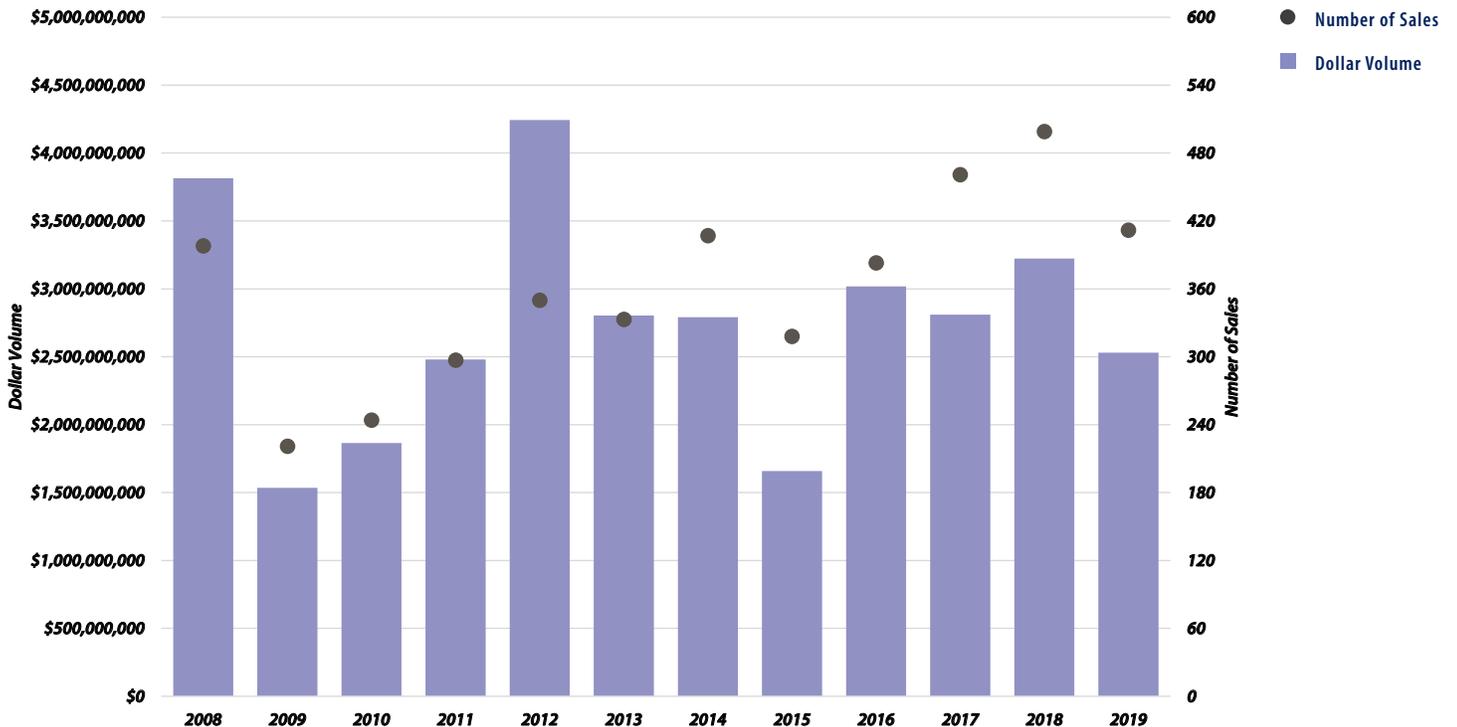
OVERALL - 2019 Annual Total: \$2.5B – 412 Sales

Calgary Commercial Real Estate Investment Dollar Volume by Property Type



Source: RealNet Canada Inc., Compiled by Avison Young
 (SCAD, Excluding Non-Arms Length Transactions, Transactions valued >=\$1M CAD)

Calgary Commercial Real Estate Investment Dollar Volume and Number of Sales (Office, Retail, Industrial, Multi-Family, ICI Land)



Source: RealNet Canada Inc., Compiled by Avison Young
 (SCAD, Excluding Non-Arms Length Transactions, Transactions valued >=\$1M CAD)

OFFICE - 2019 Annual Total: \$340M – 31 Sales



Calgary Office Investment Totals

Although unsurprising given the historically high vacancy and negative outlook for office leasing in Calgary, 2019 was the office sector’s weakest dollar volume year since 2015, which saw only \$242M in office transactions for the entire year. The dollar volume of sales in 2019 — \$340M across 31 sales — was down 65% from 2018’s total of \$960M.



Calgary Office Investment Largest Deal

The largest office sale transaction for the year was True North Commercial REIT’s acquisition of ATB Financial’s 209,454 square foot Calgary Campus from I.G Investment Management for \$100,500,000 in November.



Calgary Office Investment Major Story

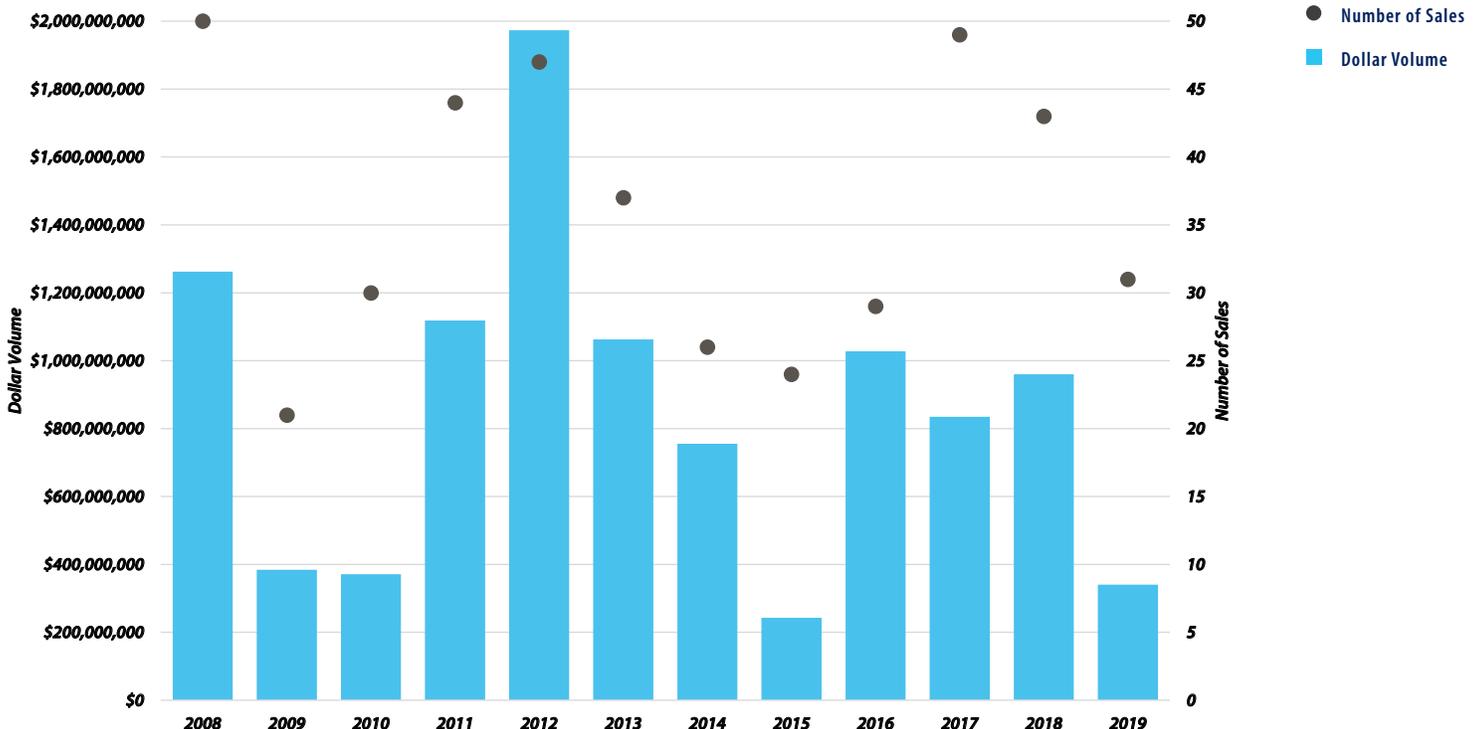
The biggest news lately in Calgary’s commercial real estate industry has been the 56 properties placed into receivership from a major private owner, the majority of which are office properties. It will take some time to determine the future course of these properties. There is some concern that a number of these properties may be brought to market for immediate liquidation through receivership, which could place additional downward pressure on office property values in an already challenged office leasing environment.



Calgary Office Investment Property Valuation

Lower quality and/or vacancy-challenged office properties have seen the most profound decline in value witnessed in Calgary in decades. Investors are underwriting significantly higher levels of risk for office assets with significant vacancy, to the point where little-to-no worth is placed on lease-up/absorption projections in financial modeling. This in turn has brought most investors back to valuing this type of asset on a simple price per square foot basis.

Calgary Commercial Real Estate Investment Dollar Volume and Number of Sales - Office



Source: RealNet Canada Inc., Compiled by Avison Young
 (\$CAD, Excluding Non-Arms Length Transactions, Transactions valued >=\$1M CAD)

INDUSTRIAL - 2019 Annual Total: \$940M – 107 Sales



Calgary Industrial Investment Totals

The industrial sector is one of the bright points in the local real estate market. The industrial investment category has been by far the most highly sought after asset class by major private, institutional and REIT investors. 2019 was a new record high dollar volume year for this asset class. The dollar volume of sales in 2019 — \$940M across 107 sales — was up 15% over 2018's total of \$816M across 135 sales, which was also a record year. The asset class has performed solidly relative to the headwinds that Calgary and the Alberta economy, in general, have faced.



Calgary Industrial Investment New Supply

The development cycle during the last two years has added 6.1 msf of new industrial inventory to the Calgary market, a 4% increase in inventory. While development has slowed during the winter, as it typically does in Calgary's seasonal construction cycle, it is anticipated that increased demand for distribution space, particularly due to e-commerce, will launch close to 2 msf of additional new construction later in 2020.



Calgary Industrial Investment Largest Deal

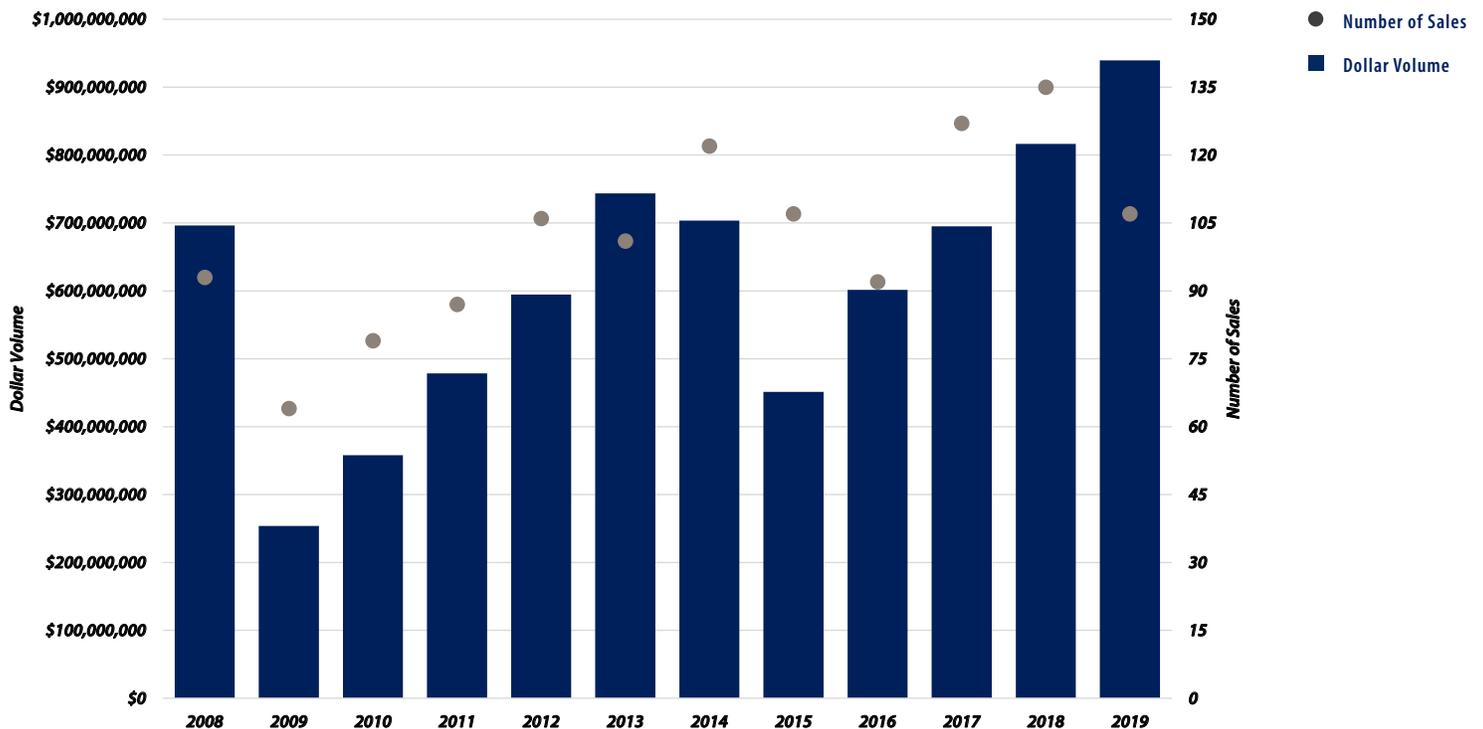
One 50%-interest portfolio sale in the fourth quarter of 2019 represented 25% of the total dollar volume of sales for the year. The sale from AIMCo to Crestpoint Real Estate Investments for a 50% interest in a 10-building portfolio which included four development sites for a total of \$231M.



Calgary Industrial Investment Distribution Focus

As Calgary continues to mature as a distribution hub, the growth in online retail sales will be a key driver for the industrial market as more distribution centre space is required, including last-mile fulfillment centres.

Calgary Commercial Real Estate Investment Dollar Volume and Number of Sales - Industrial



Source: RealNet Canada Inc., Compiled by Avison Young
 (SCAD, Excluding Non-Arms Length Transactions, Transactions valued >=\$1M CAD)

RETAIL - 2019 Annual Total: \$379M – 76 Sales



Calgary Retail Investment Totals

The dollar volume of sales in 2019 — \$379M across 76 sales — was down 32% from 2018's total of \$554M across 81 sales. 2019 was the retail markets lowest dollar volume performing year since 2015, which saw a total of \$297M over 65 sales.



Calgary Retail Investment Supply-Demand Mismatch

The typically heavily-demanded and frequently-traded small format retail strip and neighborhood centres have largely been picked-over in the Calgary market, resulting in an expectedly lower volume of trades in 2019 for this property type. Little in the way of this small-format retail product was brought to market on a formal sale basis, trading hands instead by way of off-market transactions, even though demand for local service retail in new suburban communities is strong and outweighing the new supply being brought online.



Calgary Retail Investment Slowdown

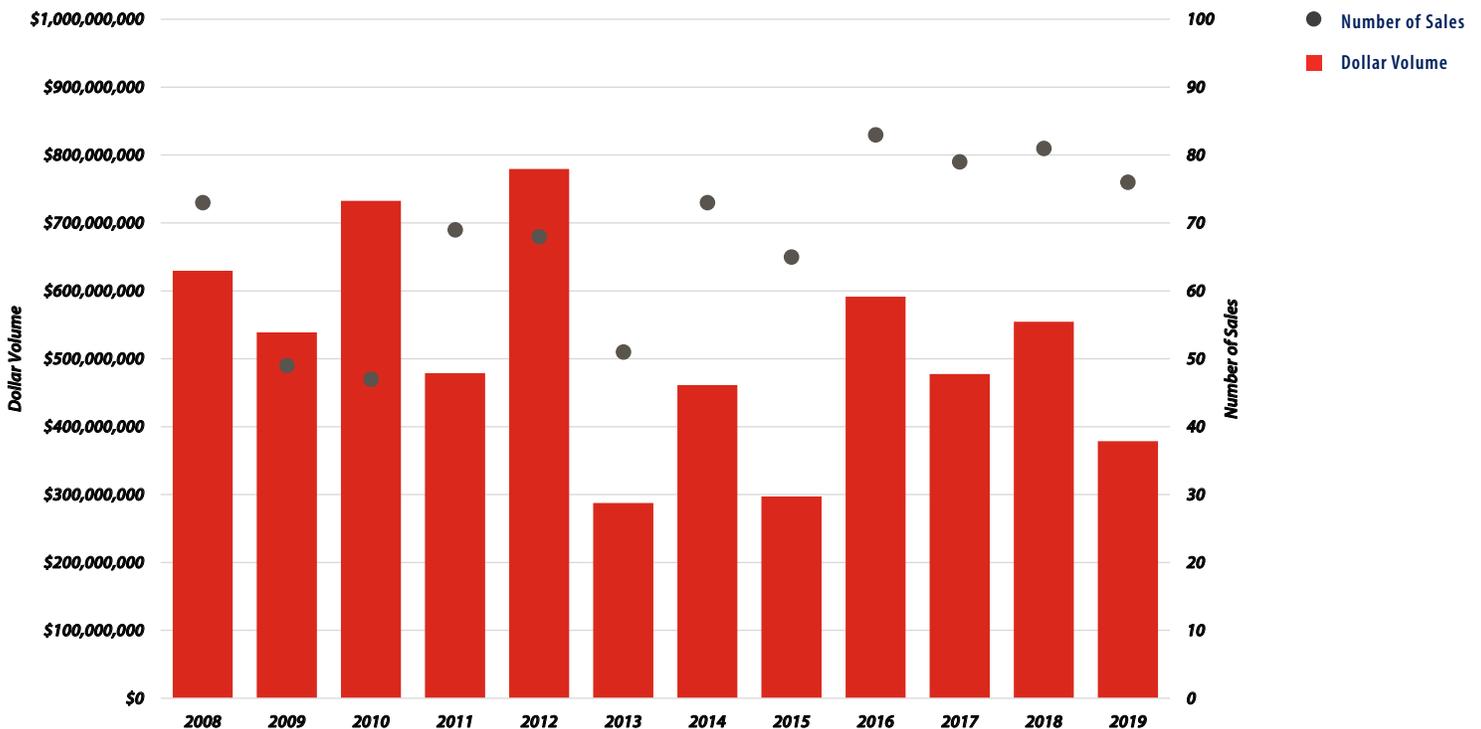
Transaction volume in the retail sector has been remarkably low. However, this comes as no surprise given the shifting view around risks in the rapidly changing retail landscape, particularly for larger box format centres. Over the last 18-24 months increasing e-commerce disruptions have swept across North America's traditional brick-and-mortar retail landscape.



Calgary Retail Investment Largest Deal

The largest retail transaction in 2019 was Calgary Co-op's acquisition of local grocery chain Community Natural Foods in November. The real estate portion of the acquisition involved three locations totaling 38,514 square feet for a total of \$20,500,000 for a price per square foot of \$532.

Calgary Commercial Real Estate Investment Dollar Volume and Number of Sales - Retail



Source: RealNet Canada Inc., Compiled by Avison Young
 (SCAD, Excluding Non-Arms Length Transactions, Transactions valued >=\$1M CAD)

MULTI-FAMILY - 2019 Annual Total: \$416M – 54 Sales



Calgary Multi-Family Investment Totals

2019 was the multi-family's strongest annual dollar volume performance since 2012, which saw \$461M in sales across 46 transactions. The dollar volume of sales in 2019 — \$416M across 54 sales — was up 19% over 2018's total of \$348M.



Calgary Multi-Family Investment Largest Deal

The largest deal for the multi-family sector came right at the end of the year. Axiom Infrastructure entered into a partnership with Age Care Health Services to share ownership of five of AgeCare's continuing care facilities in Alberta. The two Calgary assets (AgeCare Seton and AgeCare Skypointe) had a total of 663 beds and were acquired for a total of \$151,357,000, for a price per unit of \$228,291.



Calgary Multi-Family Investment New Supply

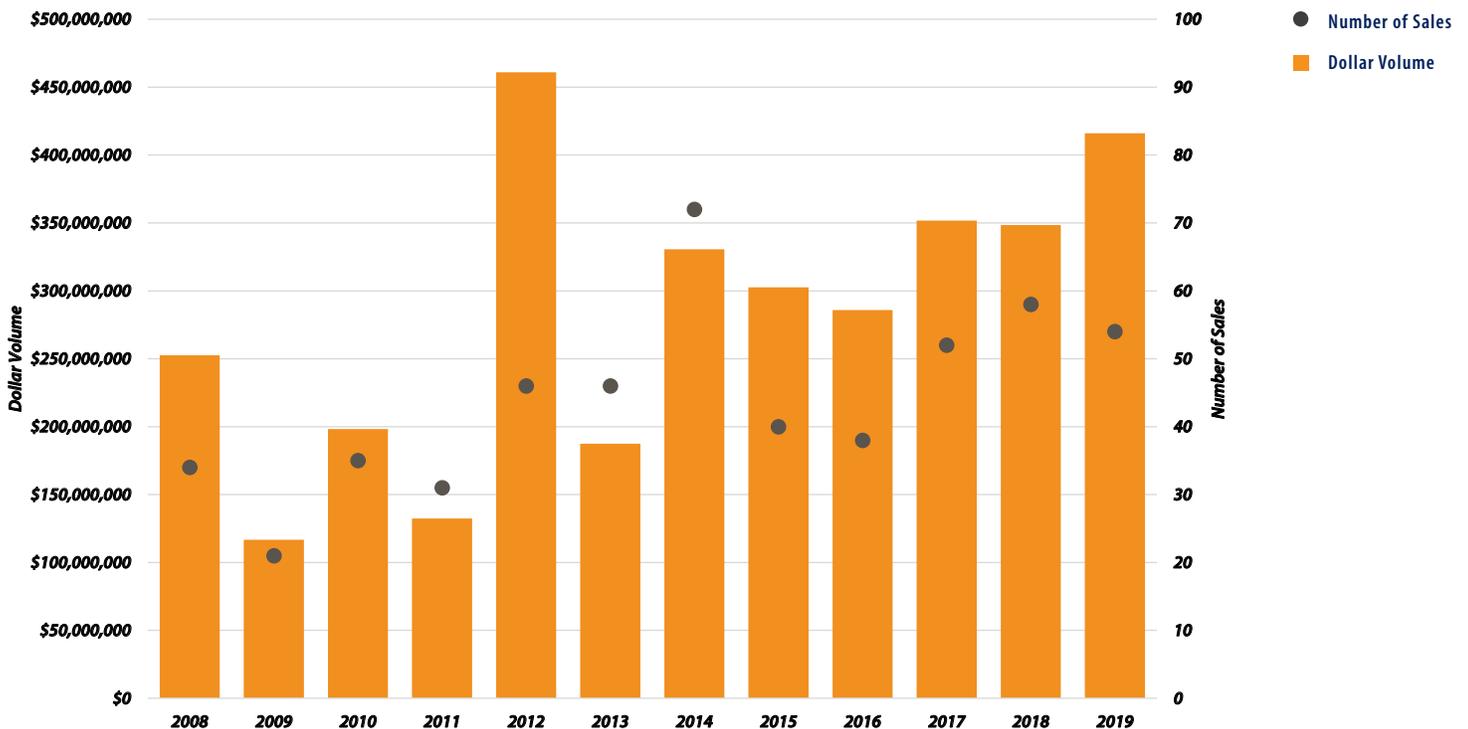
Calgary has seen a shift to a high volume of purpose-built rental being constructed, particularly in inner-city areas such as the Beltline and East Village, while the condominium market has slowed. Calgary has historically had a low number of rental units per capita compared with markets such as Toronto, Vancouver and Montreal. Occupancy for the newer products is coming from either renters relocating out of older legacy product or younger, first-time renters desiring to live in the inner-city, and by population growth with new arrivals locating to Calgary to take advantage of the better affordability of life.



Calgary Multi-Family Investment Price Per Unit

The average price per unit in 2019 increased approximately \$21,000 per unit or 11% to \$215,000 per unit versus \$194,000 per unit in 2018, reflective of the prevalence of newly-constructed properties transacting in Calgary.

Calgary Commercial Real Estate Investment Dollar Volume and Number of Sales - Multi-Family



Source: RealNet Canada Inc., Compiled by Avison Young
 (SCAD, Excluding Non-Arms Length Transactions, Transactions valued >=\$1M CAD)

ICI-LAND - 2019 Annual Total: \$455M – 144 Sales



Calgary ICI-Land Investment Tools

Development land for non-residential properties recorded solid performance in 2019 with \$455M across 144 sales, but was 16% down from the \$544M in dollar volume recorded across 182 transactions in 2018. 2018 was the strongest ICI Land sale year in ten years for Calgary.



Calgary ICI Land Investment Activity Driver

Activity is being driven by a continued long-term speculative outlook on Calgary. Investors are buying land now while prices are low in anticipation of future demand.



Calgary ICI Land Investment Largest Type

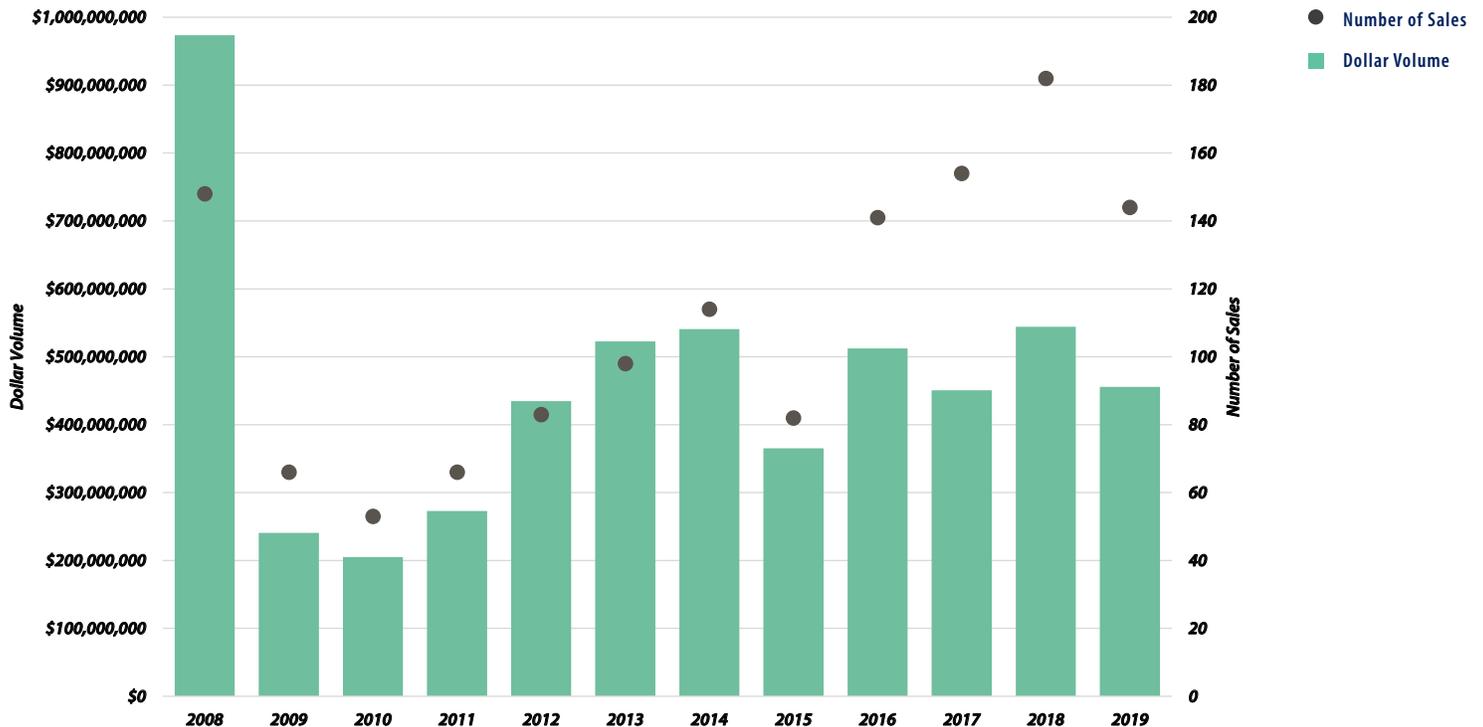
The largest ICI land transaction in Calgary in 2019 was Canadian Tire's December acquisition of 25 acres in Deerfoot Meadows for \$42,585,000 or \$1,700,000 per acre. This is the last undeveloped site in the 400-acre Deerfoot Meadows Shopping District, one of Canada's largest open-air, urban shopping centers.



Calgary ICI Land Investment By Land Use

Looking at the overall trends within the transaction volume, the vast majority of deals in this category were for long-term, future development land in areas surrounding the City of Calgary (97% of the acres transacting and 39% of the dollar volume). Following behind were industrial land (27% of dollar volume) and commercial-zoned sites (23% of the dollar volume).

Calgary Commercial Real Estate Investment Dollar Volume and Number of Sales - ICI Land



Source: RealNet Canada Inc., Compiled by Avison Young
 (SCAD, Excluding Non-Arms Length Transactions, Transactions valued >= \$1M CAD)



OUTLOOK

It is too early to tell how strong the impacts of the Saudi-Russia oil price war and COVID-19 (coronavirus) will be on Calgary's already struggling economy. Calgary has yet to recover from a downturn in the oil sector that began in 2014, and the overall value of Downtown office properties has fallen by more than \$14 billion between 2015 and 2019, according to The City of Calgary's assessment department. It is anticipated that GDP growth will retreat into recession territory and vacancy will increase across all asset types for the Calgary market in second-quarter 2020. However, how hard this recession will hit and how long it will last will take months to determine.



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