



Q3 | Calgary RETAIL
Market Report

2023

NAI Advent

Commercial Real Estate Services, Worldwide.

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MARKET OUTLOOK

CALGARY RETAIL MARKET UPDATE | OCTOBER 2023

Investment continued to pick up steam through the last quarter. From April through June 2023, an additional \$1.198 billion in transactions closed. Fueling year-to-date (YTD) activity was very strong demand for land plus a dramatic increase in investors' appetites for retail and industrial properties.

More than \$289 million in transactions closed among retail assets during the second quarter of 2023, bringing total dollar volume at June 30th to just under \$419 million – nearly double the investment level seen at mid-year 2022. The general retail category was leading sales volumes, comprising nearly half of total YTD dollar volume and drawing more investment than seen at the midpoints of the three previous years combined. Shopping centres accounted for one-fourth of total sales. A large notable sale closed in April 2023 was the Loblaws sale of 6 buildings covering 308,000 sq.ft. to Choice Properties REIT for \$86.3 Million. The sites are located on Southport Road and on Sarcee Trail SW Calgary.

VACANCY RATES

Across Calgary's retail sector overall vacancy has increased slightly YTD to 6.0% in the city mostly due to large retailers vacating their space (Nordstrom, buybuy Baby and Bed Bath & Beyond). Outside of 15%+ vacancy in downtown and the largest regional shopping centers in the city, small neighborhood retail and community retail centres are 3.0-3.7% vacancy and forecast to drop. Suburban communities and neighbourhood centres continue to see exceptional demand.

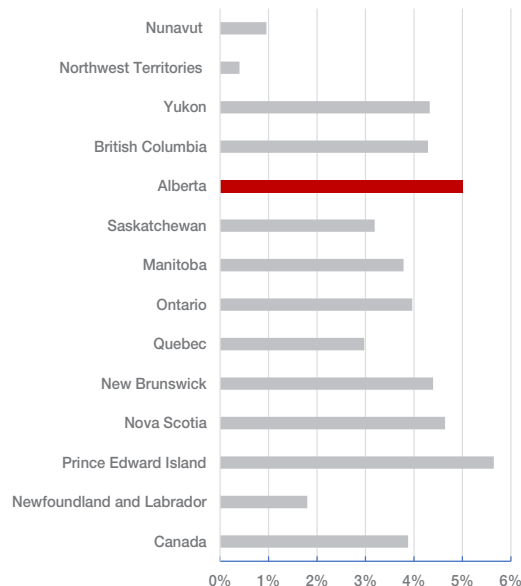
LEASE RATES

Lease rates have remained arguably flat from the previous quarter at \$29/sq.ft. Looking backward, Calgary retail rents had accelerated since mid-2021. Finding space has become harder due to lower vacancy rates in the most desired locations and the cost of construction has slowed new space becoming available. The incoming swell of space in the latter half of 2023, mainly buildings offering less than 40,000 square feet, will likely shift that balance toward tenant favour but will remain a landlord's market, even after the incoming new supply.

CALGARY MARKET SUMMARY

Western Canada, especially Alberta and Calgary, has experienced significant growth in consumer spending this year. Retail sales in Alberta rose by over 6%, the second-highest in the country, with a notable 17% increase in spending at restaurants and bars. Calgary's retail market is thriving due to positive visitor trends and a surge in migration not seen since 2005. Alberta's demographic growth from Q1-2022 to Q3-2023 was the fastest among all provinces and territories. Canada's total population also increased by 2.9% since July 2022, primarily driven by net international migration. The country aims to welcome 465,000 new permanent residents this year, indicating robust growth. For the remainder of the year, a continued influx of new residents and a boom in the tourism sector will solidify the metro's consumer base and maintain healthy retail sector fundamentals.

Population Growth Rate 2022-2023



\$419 million

2023 TOTAL
\$ VOLUME

37

#TRANSACTIONS
2023



\$380/ SF

MARKET PRICE PSF



3.0- 3.7%

VACANCY RATE



6.00 - 6.5%

EXPECTED CAP
RATES



\$29.00/SF

AVERAGE LEASE
RATE



40.1 Million

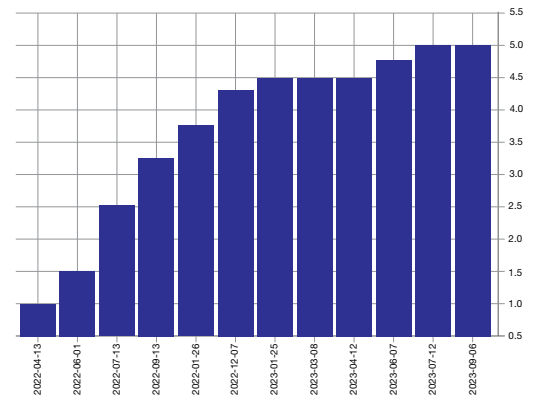
CANADA
POPULATION

INTEREST RATES

Inflation is up, interest rates are up, what is going on? CIBC's Benjamin Tal is trying to figure it out as well. If you take the interest out of mortgage payments, inflation is 1.5% below the target. Alberta's most recent inflation rate is pegged at 4.3%. Tal believes the Bank of Canada is overshooting efforts to correct by increasing interest rates. Even though the Bank of Canada is biased to err on the side of a higher correction, the September 6th policy interest rate announcement did not increase above 5.0%. Notably, all the growth in Canada's GDP growth of 1.2% is linked to increased immigration and not increased productivity. The prediction that near term unemployment will increase hopefully gives further pause to the Bank of Canada's habit to hike rates. Their next announcement is scheduled for October 25, 2023.

INTEREST RATES

Bank of Canada policy interest rate 5.0%



CAP RATES

Since Q1 2023, retail cap rates have been on the rise. The main lever being pulled is interest rates and as a result investor expectation for yield has followed suit. Transaction cap rates in Calgary are generating an average yield of 6.0%, well above the national average of 5.0%. Calgary and Alberta are increasingly proven to be fertile ground for investors searching for yield. While the denominator effect is increasing cap rates to a degree across all markets, Calgary retail properties are expected to generate yields between 6.0% and 6.5%. Given these indicators, the forecast peak cap rates have been adjusted upwards topping out at 7.0%.

NOTABLE & INTERESTING:

The Canadian digital currency discussion. We have been watching the evolution of a proposed Canadian central bank digital currency (CBDC). Firstly, a CBDC does not currently exist in Canada. A CBDC is not a cryptocurrency, cryptocurrency is a private digital currency and a volatile asset which fluctuates in value based on supply and demand. Cryptocurrencies often have transaction fees and aren't regulated by any central bank.

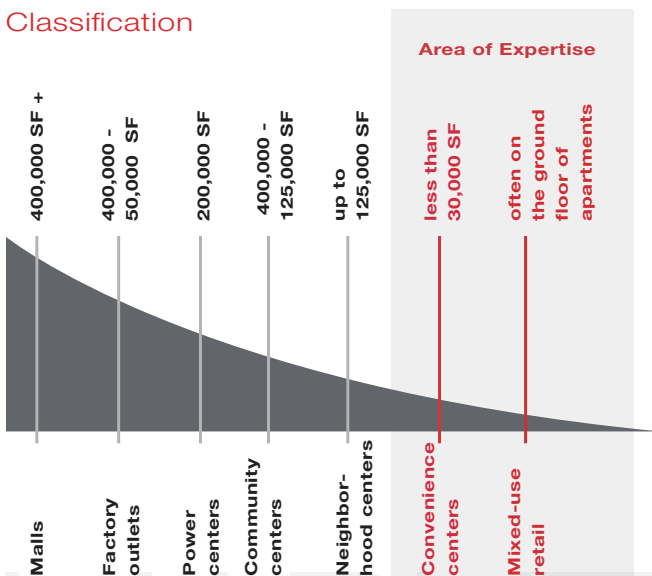
By contrast, if a digital Canadian dollar were established, it would be officiated by the government of Canada and regulated by the Bank of Canada. The value of a Canadian CBDC would be the same as a Canadian fiat dollar.

The Bank of Canada first launched public consultations on a Canadian digital currency in May 2023. Only 85,000 Canadians participated in the conversation by providing feedback of their needs and expectations.

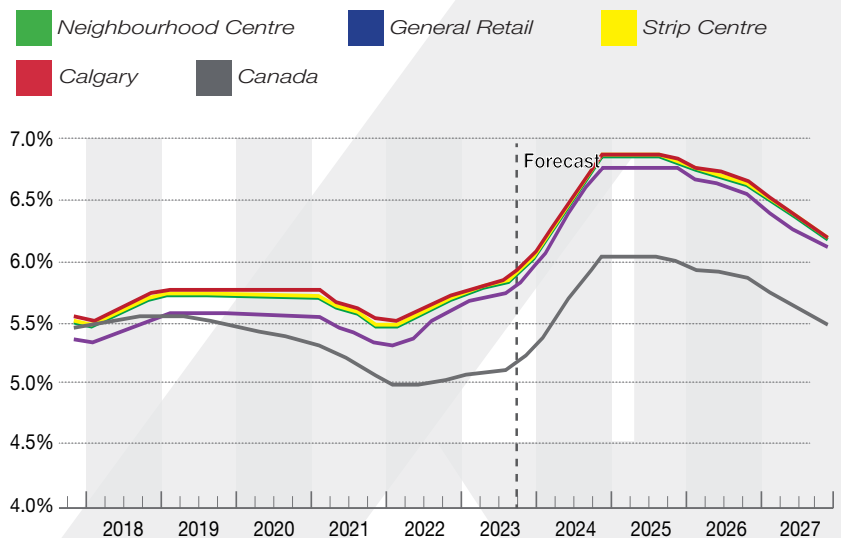
If there's any traction, it may be a few years before the Canadian digital currency comes to fruition. In line with our previous comments, we anticipate heated and timely debate with respect to freedom, privacy versus surveillance and spending control related to the use of this "neo" currency.

RETAIL BUILDINGS

Classification



MARKET CAP RATES*



*Source: CoStar

PROPERTY	16 MACEWAN DR NW	4643 37 ST SW	4135 4 ST NW	324 16 AVE NW	1101 48 AVE NW	5303 68 AVE SE
Description	Retail: Shopping Centre	Retail: General	Retail: Shopping Centre	Retail: General	Retail: General	Retail: Shopping Centre
Site Size	1.71 Ac	0.177 Ac	0.328 Ac	0.21 Ac	0.29 Ac	3.43 Ac
Bldg Area SF	19,673	3,172	6,356	3,770	4,000	20,812
Sale Price	\$8,500,000	\$760,000	\$3,100,000	\$1,350,000	\$1,390,000	\$7,100,000
Sale Date	06/26/2023	04/04/2023	07/22/2022	01/27/2023	01/13/2023	05/24/2023
Unit Price	\$432.06	\$239.60	\$487.73	\$358.09	\$347.50	\$341.15
Subdivision	MacEwan Glen	Glamorgan	Highwood	Mount Pleasant	North Haven	Great Plains

PROPERTY	5015 CENTRE ST NW	5512 4 ST NW	219/221 19 ST NW	4100 MARLBOROUGH DR NE	5512 4 ST NW	2650 36 ST SE
Description	Office: Suburban	Retail: General	Retail: General	Retail: Shopping Centre	Retail: General	Retail: Shopping Centre
Site Size	5,992 SF	12,309 SF	6,130 SF	0.51 Ac	12,309 SF	0.57 Ac
Bldg Area SF	1,917	2,100	6,076	7,555	2,100	12,000
Sale Price	\$777,000	\$1,600,000	\$1,660,000	\$2,700,000	\$1,100,000	\$2,550,000
Sale Date	10/20/2022	09/12/2022	08/25/2022	06/29/2022	06/23/2022	05/18/2022
Unit Price	\$405.32	\$761.90	\$273.20	\$357.47	\$523.81	\$212.50
Subdivision	Thornccliffe	Thornccliffe	West Hillhurst	Marlborough	Thornccliffe	Forest Lawn

FOR SALE | 1104 20 AVE NW

Property type:	Retail Convenience Centre
Building Area:	4,145 SF
Land Area:	11,988 SF
Zoning:	C-N2 (Commercial - Neighbourhood 2)
Price:	\$2,300,000
Year Built:	1977



FEATURED LISTING | RETAIL BUILDING FULLY LEASED



FEATURED LISTING | RETAIL BUILDING FULLY LEASED

SOLD | 1501 17 AVE SW

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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