

Calgary Commercial Land Investment Insights

Market Analysis | Mid-Year 2024

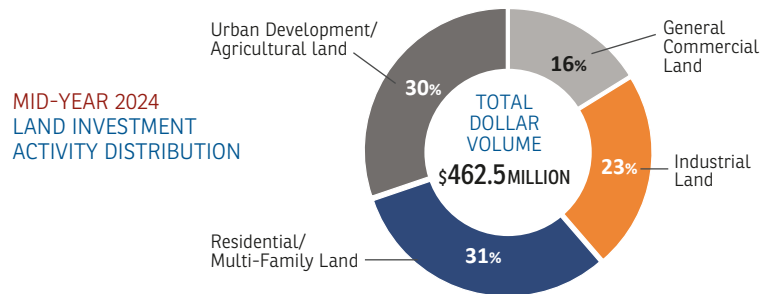
Welcome to the latest in Barclay Street Real Estate's mini-series of asset-specific investment reports. This new line of reports delves deeper into noteworthy aspects of our semi-annual overall commercial real estate (CRE) investment reports by breaking down individual asset types to identify long-term trends and emerging developments.

Other reports from this series covering investment in commercial condominiums (in both Calgary and Edmonton) and hotels (Edmonton market only) may be found at www.barclaystreet.com/research. Coverage of additional asset types is in the works, so stay tuned.

At the end of 2023, commercial land sales in Calgary concluded a five-year, year-over-year increase in both sales and total dollar volume which culminated in just under \$900 million in land investment. By June 30th, 2024, land investment reached \$462.5 million (52%) of 2023 levels though on a year-over-year basis, was slightly behind mid-year '23 levels.

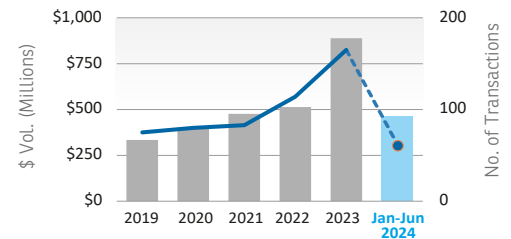
	Mid-Year 2022	Mid-Year 2023	Mid-Year 2024
General Commercial Land	\$44,619,980	\$89,359,500	\$74,841,247
Institutional Land	\$11,100,000	\$7,110,000	\$0
Industrial Land	\$92,171,113	\$63,479,976	\$103,856,166
Residential/ Multi-Family Land	\$63,861,870	\$131,538,500	\$144,051,172
Urban Development/ Agricultural Land	\$21,976,000	\$254,940,358	\$139,779,808
Special Purpose Land	\$4,200,000	\$0	\$0
Total Dollar Volume	\$237,928,963	\$546,428,334	\$462,528,393

Investors strongly favoured Urban Development/Agricultural (UD/A) land through 2023 after stepping away from that class in 2022 to focus on land slated for industrial usage. While UD/A land played a prominent part on year-to-date investment, it took a secondary place behind land designated for residential/multi-family development. Investment in each of those categories came largely at the expense of Commercial land purchases which, by June 30th, had slowed dramatically on a year-over-year basis.



\$ VOLUME & NO. OF TRANSACTIONS

■ Total \$ Volume
— No. of Transactions



For 2023, land sales represented the largest source of commercial investment among the asset classes we track and for the first half of 2024, total dollar volume fell just behind multi-family property investment.

Very high net migration to Alberta from other provinces and territories through 2022 and 2023 created a fertile environment for multi-family residential development. This, in turn, led to multiple years of year-over-year residential land purchases and in 2023, total land zoned for residential/multi-family development tripled 2019 numbers. With that trend continuing through 2024 and anticipated to extend into 2025, we expect sales of residential/multi-family land to outperform the other designations over the coming six to twelve months.

Data Source:

The Network Real Estate Intelligence

Other sources:

Landlord Planning Solutions: <https://www.landproplan.ca/blog/7-types-of-land-use>
Landsearch: <https://www.landsearch.com/blog/land-use-types-definitions>

The City of Calgary: <https://www.calgary.ca/planning/land-use/districts.html>
R.E. Tipster: <https://retipster.com/terms/special-use-land/>

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General Commercial Land Investment

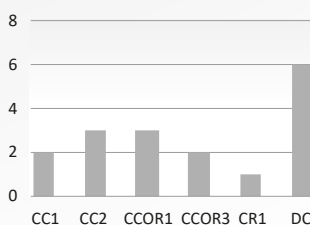
We, at Barclay Street Real Estate, define this category as being a general catch-all for uses other than the types specified elsewhere in this report.

A few examples of general commercial land use would be:

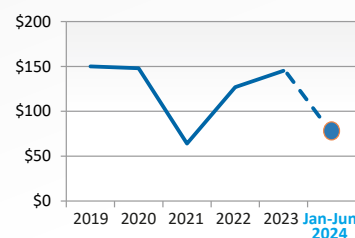
- » Retail
- » Restaurants
- » Hotels
- » Storage
- » Hospitals

This category of land is appraised differently than, for example, residential land and it's also treated differently by municipalities and infrastructure

SALES BY LAND USE CLASS



AVERAGE PRICE PER SQ. FT.



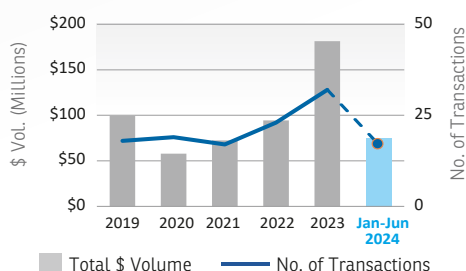
providers. Land values can fluctuate wildly based on where it is located and on what other properties are located - or pending - nearby.

Comprising about one-fifth of total year-to-date land sales by dollar volume, this type of land benefits investors through its flexibility as noted above. As such, this land posted a five-year high in total investment through 2023 – nearly doubling 2019 investment levels and was the third most bought land type through June 30th, 2024.

As noted in the associated bar chart, this land type has witnessed something of a renaissance in the previous five years – and in 2023 particularly – with consistent year-over-year dollar volume increases from 2020 through 2023. For 2024, investment was off to a strong start in Q1, achieving nearly half of full-year 2020 investment but slowed through the second quarter as investors looked toward land designated for multi-family development.

With that in mind, general commercial land sales through the first half of 2024 did not achieve average prices per square foot that were in line with expectations based on the previous two full years. Of the seventeen sales to mid-year, just five broke the \$100/square foot level.

\$ VOLUME & NO. OF TRANSACTIONS

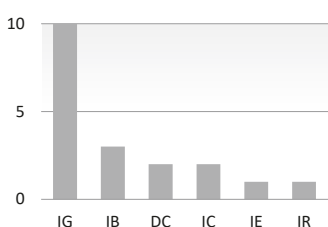


Industrial Land Investment

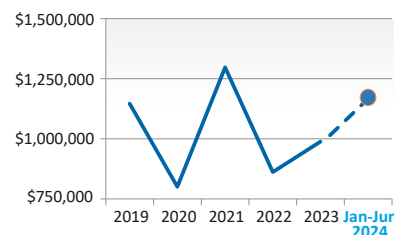
This category of land is self-explanatory. Uses for this designation of land surround purposes of manufacturing, such as production of industrial materials, goods or energy; uses that are likely to generate extra noise, traffic, larger areas of land and perhaps air emissions.

The years 2022 and 2023 represented years in which the Greater Calgary Area witnessed very tight industrial leasing conditions, with overall availability in the low-to-mid 3% range. This led to significant investment in land for new construction which fostered a multi-year record 2022. While 2023 marked a notable decline in total dollar volume, a multi-year record number of transactions closed.

SALES BY LAND USE CLASS



AVERAGE PRICE PER ACRE

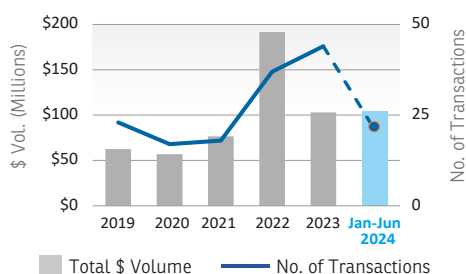


The first half of 2024 however, suggests a rebound may be in the making with total dollar investment in industrial-designated land slightly exceeding full-year 2023 levels. Price per acre for this land class was rebounded remarkably from 2022 and 2023 levels, which can be somewhat attributed to several partial-acre sales which closed at well-above average per-acre rates.

As would be expected, I-G (Industrial-General) is the most commonly zoned land purchased in this category. Notably however, was the relative absence of I-R (Industrial-Redevelopment District) and DC (Direct Control)-zoned land purchases at June 30th, compared to what we observed in previous years. I-R is an industrial designation applied to seven older industrial areas that were developed before current land use standards were introduced. Properties in these areas often have significant development constraints that affect matters such as parking, access and landscaping.

Direct Control (DC) is a customized land use designation. It has a list of allowable uses and a set of rules specific to a particular property or development. Most DC designations include a cross-reference to the rules of one of the standard designations of the Land Use Bylaw (e.g. R-1, R-2, I-G, etc.)

\$ VOLUME & NO. OF TRANSACTIONS



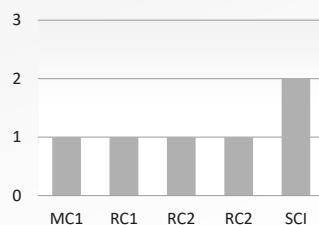
Institutional Land Investment

We, at Barclay Street real Estate, define this category as land owned churches and other religious institutions and by schools and postsecondary institutions. Another common designation or terminology is *Institutional/Public*.

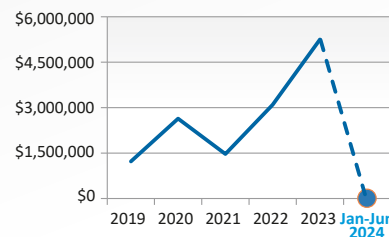
Normally permitted uses for this class of land are:

- » Public uses such as city halls
- » Municipal facilities
- » Hospitals
- » Museums
- » Religious buildings
- » Schools and colleges

SALES BY LAND USE CLASS (2023*)
* For reference in the absence of Jan-Jun 2024 sales



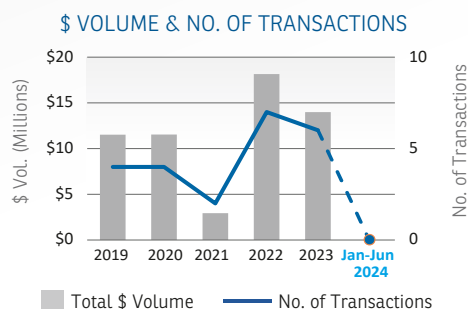
AVERAGE PRICE PER ACRE



Demand for this category of land was consistent prior to 2020 but with reduced attendance due to gathering restrictions and fears of large public assemblies during the 2020/2021 period, appetite for this type of land, as well as land values, decreased considerably. With several places of worship – primarily Christian churches – having been negatively impacted, they and the land on which they sat were bought for use by different denominations & religions as public gatherings resumed through 2022.

As noted in the associated bar graph, 2022 and 2023 saw a major resurgence of sales and dollar volume earmarked for institutional land and that was reflected directly in the prices per acre achieved in 2022 and 2023. With this type of land typically located in well-established residential neighbourhood and in many cases, neighbourhoods undergoing significant gentrification, land prices can easily reach \$5 million to \$8 million per acre.

In 2023 for example, four of the six transactions exceeded \$5 million/acre with the two largest being 4315 - 26 Ave. SE (prev. Back to The Basic Christian Church, \$8,828,947/acre) and 108 - 32 Ave. NW (prev. United Church of Canada of Calgary Alberta, \$7,727,273/acre).



Residential/Multi-Family Land Investment

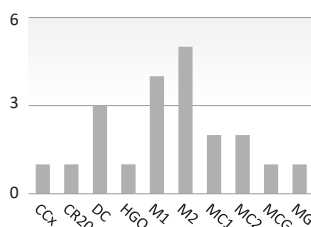
The City of Calgary defines multi-family as “Any residential property with four or more self-contained dwelling units under a single legal description with Alberta Land Titles is considered to be a multi-residential (MR) property for assessment and taxation purposes.”

Specifically, *Residential* designation permits the building of houses, including low (single family homes), medium (townhouses) and high density (apartments/condos) buildings and there are often restrictions associated with residential land use, which include the types of materials that can be used to build and minimum or maximum build size for example. Below are some examples of residential land use.

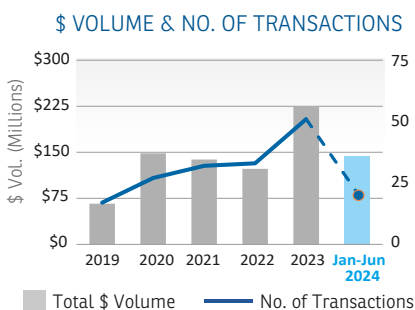
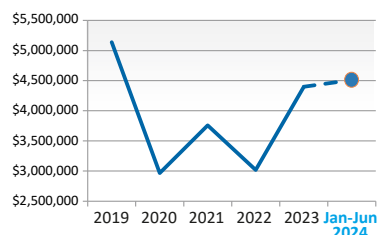
- » Single-family homes
- » Apartment complexes
- » Condos
- » Cabins
- » Tiny houses
- » Mobile homes

In Calgary, Residential Land sales totalled a little more than \$220 million at the end of 2023 and averaged more than \$5 million per transaction.

SALES BY LAND USE CLASS



AVERAGE PRICE PER ACRE



Investment through the first half of 2024 appeared to follow a similar trajectory to 2023 with more than \$144 million in purchases to June 30th. Noteworthy in this category is our observation of a substantial year-over-year increase in the number of partial-acre residential land sales from 2022 through 2023 (21 of the 51 sales were partial-acre in 2023 and 11 of the 21 YTD '24 transactions were

partial-acre). These typically close at above-market prices and have driven prices per acre up substantially as a result. This metric reached a multi-year high through the first six months of 2024.

A few examples of the high pricing associated with smaller land purchases include 1520-4 Street SW (\$15,262,826/acre equivalent) and 1650-37 Avenue SW (\$11,578,732/acre equivalent).

Special Purpose Land Investment

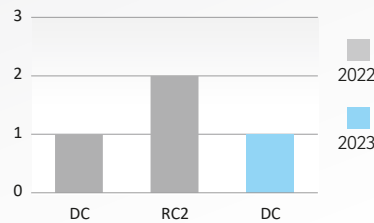
This category of land is best defined as land that fits with the City of Calgary's *Future Urban Development (S-FUD)* and/or *Special Purpose – Community Institution (S-CI)* districts.

Special purpose land investment has proven to be quite volatile, as sales typically require an exception and approval from a local government. This is because the Special Use Land designation regulates how a parcel of land or property may be used outside of its commonly accepted use in that area. It is usually an exception to zoning regulations and ordinances.

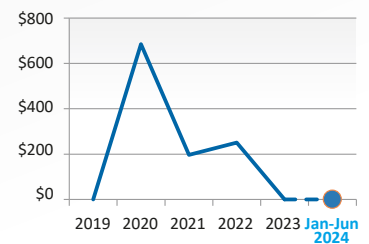
The last such sale in Calgary was 2550 Dieppe Avenue SW; 0.86 acres of land in the former Currie

SALES BY LAND USE CLASS (2022/2023*)

* For reference in the absence of Jan-Jun 2024 sales



AVERAGE PRICE PER SQ. FT.



Barracks and owned & managed for the Department of National Defense by the Canada Lands Corporation. This land contains a school known as Keller Hall and its future use as a private school falls under S-CI discretionary uses.

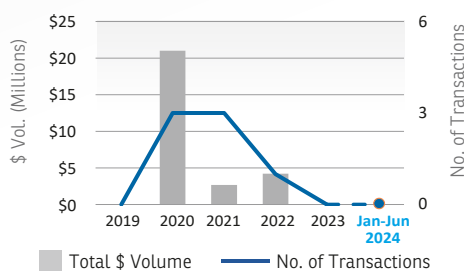
Other permitted uses include:

- » Parks & natural areas
- » Protective & emergency services
- » Utilities
- » Libraries, museums & performing arts centres
- » Places of worship

This type of asset proved popular during a specific three-year period and reached peak investment - as far as our records go - in 2020. Sales in 2021 and 2022 were of land earmarked for residential development such as non-market housing and for a multi-residential development on a church site in an otherwise low-density residential neighbourhood.

Due to the wide variety of locations and original uses that can fall under this designation, average prices – best calculated as price/square foot – can vary dramatically.

\$ VOLUME & NO. OF TRANSACTIONS

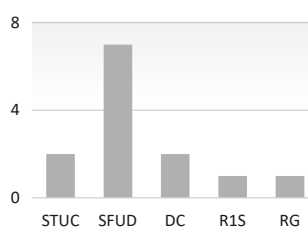


Urban Development/Agricultural Land Investment

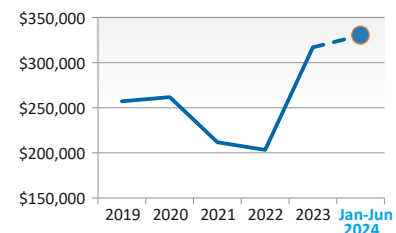
On the face of it, this category of land is as its name implies. Agricultural land is land devoted to the controlled use of any form of life to produce food for people and is often referred to as cropland or farmland.

This land is generally bought for that particular intended use, or for future changes to meet the needs of a nearby urban centre. Often times, this land is located on or near the outskirts of a growing metropolitan area. Within a metropolitan city, these lands are usually a part of an approved Area Structure Plan.

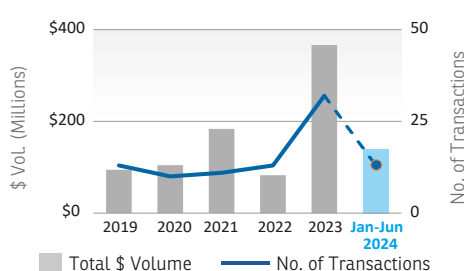
SALES BY LAND USE CLASS



AVERAGE PRICE PER ACRE



\$ VOLUME & NO. OF TRANSACTIONS



As noted in the sales by land use chart we've provided, the majority of 2023 land sales in this category fell under S-FUD land use approvals. According to the City of Calgary, permitted and discretionary uses under this heading include:

- » Extensive agriculture (standard crop farms, ranches, homesteads, hobby farms, chicken farms, vineyards)
- » Manufactured homes and/or single-detached dwellings
- » Small power generation and/or utilities
- » Outdoor recreation areas
- » Vehicle storage

2023 was a banner year for this category of land; total investment doubled the previous high-water mark of \$183.6 million set in 2021 on nearly triple the number of individual sales. Sales through the first half of 2024 set a strong tone for the year, with year-to-date transactions already matching 2022 totals and investment dollar volume nearing 2021 levels.