

FIGURES | CALGARY RETAIL | H1 2022

Higher demand alongside higher costs affecting Calgary's retail market

▼ 5.9%
Vacancy Rate

▼ 381K
SF Net Absorption

▼ 257K
SF New Supply

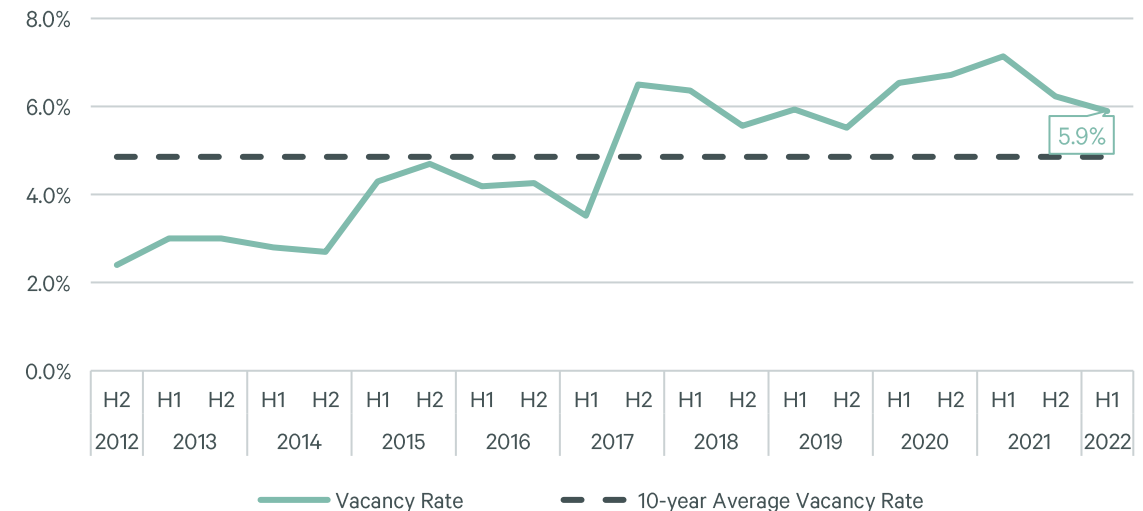
▼ \$21,056
Retail Sales Per Capita

Note: Arrows indicate change from previous half.

MARKET SUMMARY

- Calgary's overall retail vacancy rate continues its downward trend, decreasing by 30 basis points (bps) half-over-half.
- There is strong demand in the retail market but concerns over rising construction costs.
- Vacancy remains elevated in the Central Business District (CBD).
- New construction pro formas are being revisited and in some cases revised.
- There is high demand for space with any pre-existing infrastructure in place.

FIGURE 1: Historical Overall Retail Vacancy Rate (%)



Source: CBRE Research, H1 2022.

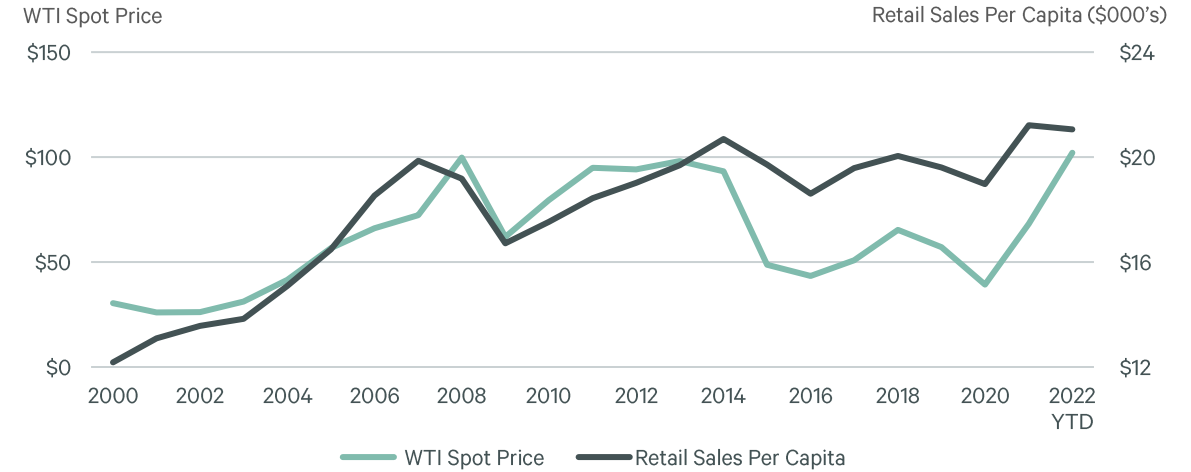
Market Activity

In-person events such as the Stampede, elevated oil prices and increased tourism has returned to Calgary in the first half of 2022, showcasing the resiliency of the city and driving optimism in the retail market. Calgary’s adaptable retailers have been increasing their market share, expanding on concepts, and capitalizing on the returning consumerism. Landlords are diversifying their tenant mixes, back filling vacancies and welcoming new market-entrants and brands to Calgary. However, optimism is marred by rising interest rates, increasing construction costs, supply chain issues, scarcity of certain equipment and delays in permitting and financing.

After two years of challenges for the retail sector grappling with COVID-19, Calgary is back open for unrestricted business. Retail options continue to be in demand as vacancy rates compress for a second consecutive half. Calgary’s overall retail vacancy continues its downward trend, dipping 30 bps from 6.2% in H2 2021 to a healthier 5.9% for the first half of 2022. This is a 120 bps spread from the H1 2021 peak of 7.1%. Net absorption is strong and demand for existing units with any pre-existing infrastructure is on the rise. Developers continue to navigate through the upward pressure on construction/land costs, constrained supplies and permitting delays. For the first time since the second half of 2015, the amount of product under construction is below a million square feet. If inflation and rising costs don’t hinder the progress, we expect the pipeline of new supply and construction numbers to rise over the next half as the residual bottle necks brought on by the pandemic begin to subside.

The areas that experienced the largest half-over-half declines in retail vacancy are Calgary’s East submarket falling 390 bps to 3.8%, the Northwest submarket decreasing 380 bps to 5.5%, and the South submarket declining by 290 bps to 3.7%. The Southeast continues to have the lowest vacancy rate in Calgary, down 70 bps to 2.2%. The North Central, East, Southeast and South sectors of the city have an average vacancy rate of 3.6% leading to an increase of pre-leasing activity from the expanding retailers attracted to the development and demand of new homes in these areas. These submarkets account for approximately 90% of suburban home development in Calgary over the next five years. Alternatively, vacancy in the Central Business District (CBD) remains elevated and has increased by another 110 bps to 12.6% this half, inflating Calgary’s overall vacancy average. Historically the CBD suffers from chronically high vacancy rate with a ten-year average of 9.6%. The CBD’s 2022 challenges stem from an increased reliance on hybrid work models and record levels of office vacancy (33.7% in Q2 2022) which continue to negatively impact foot traffic in downtown Calgary. Rental rates for this product continue to compress with higher inducements to attract qualified retailers to the area. Removing CBD vacancy numbers out of the equation, Calgary would be sitting at 4.5% overall vacancy.

FIGURE 2: Calgary Retail Sales per Capita & WTI Spot Price



Source: Conference Board of Canada, Fred Economic Data, H1 2022.

FIGURE 3: Historical Under Construction & New Supply (MSF)



Source: CBRE Research, H1 2022.

As we saw in H2 2021, new construction pro formas are being revisited and revised to reflect the rising costs associated with development. For some projects the increases have forced holds on development progress until the economics work without forcing unsustainable rents onto their tenants. Pre-leasing pricing for new shell space is marginally increasing but longer fixturing periods and higher inducement packages are being discussed, and in some cases, implemented to meet leasing thresholds to start construction. Significant increases to build-out budgets have tenants trying to find even more ways to reduce costs where they can. To offset initial start up capital requirements, there is an increasing demand for existing space with any pre-existing infrastructure in place, leading to marginal increases in rent and reduced inducements offered for older product with good infrastructure.

FIGURE 4: H1 2022 Completions

| Property Name | Developer | Completed (SF) |
|---|---------------------|----------------|
| Mahogany Village Commons (Partial Completion) | Hopewell | 69,009 |
| Greenwich (Partial Completion) | Melcor | 65,000 |
| Trinity Hills (Partial Completion) | Trinity | 35,000 |
| Seton Crossing | Hardrock Properties | 27,455 |
| Seton North Hill Retail District Phase II | Brookfield | 16,000 |
| The Fifth | Arlington Street | 12,500 |
| The Oliver (East) | Centron Group | 10,705 |
| The Harrison | Sarina Homes | 9,200 |
| Rangewinds Business Park | Remington | 6,830 |
| Dominion | Bucci Developments | 5,200 |

Source: CBRE Research, H1 2022.

FIGURE 5: Notable Projects Under Construction

| Property Name | Developer | Under Construction (SF) | Total Build-Out (SF) |
|---------------------------|-------------------------------|-------------------------|----------------------|
| The Shops at Buffalo Run | Canderel | 245,000 | 396,000 |
| Bow River Shopping Centre | One Properties | 121,100 | 158,300 |
| Carrington Green | Royop | 85,452 | 85,452 |
| The Rise Sage Hill | Sage Property Developments | 47,310 | 47,310 |
| West Village Towers | Cidex Developments | 45,000 | 90,000 |
| University District | West Campus Development Trust | 38,000 | 300,000 |
| Wolf Willow | Luxuria Group | 35,345 | 35,345 |
| Uxborough | Western Securities | 25,433 | 25,433 |
| New Brighton Landing | Red Maple Enterprises | 25,344 | 25,344 |
| Greenwich | Melcor | 23,000 | 174,000 |
| Shawnessy Station | Trico Communities | 22,704 | 22,704 |
| Nolan Hill Crossing | Private | 21,000 | 21,000 |

Source: CBRE Research, H1 2022.

FIGURE 6: Retail Statistics by Retail Type

| Retail Type | Total Rental Area (SF) | Vacancy Rate (%) |
|--------------------------------|------------------------|------------------|
| Downtown Streetfront | 1,278,277 | 15.5% |
| Beltline Streetfront | 1,837,911 | 10.6% |
| Small Retail | 3,604,728 | 6.5% |
| Downtown Shopping Centre | 1,724,611 | 13.2% |
| Streetfront | 777,671 | 18.9% |
| Neighbourhood Shopping Centre | 6,477,399 | 4.5% |
| Community Shopping Centre | 8,226,228 | 4.4% |
| Regional Shopping Centre | 7,078,160 | 5.9% |
| Power Centre | 7,660,805 | 3.2% |
| Super Regional Shopping Centre | 1,355,000 | 3.0% |
| Total | 40,020,790 | 5.9% |

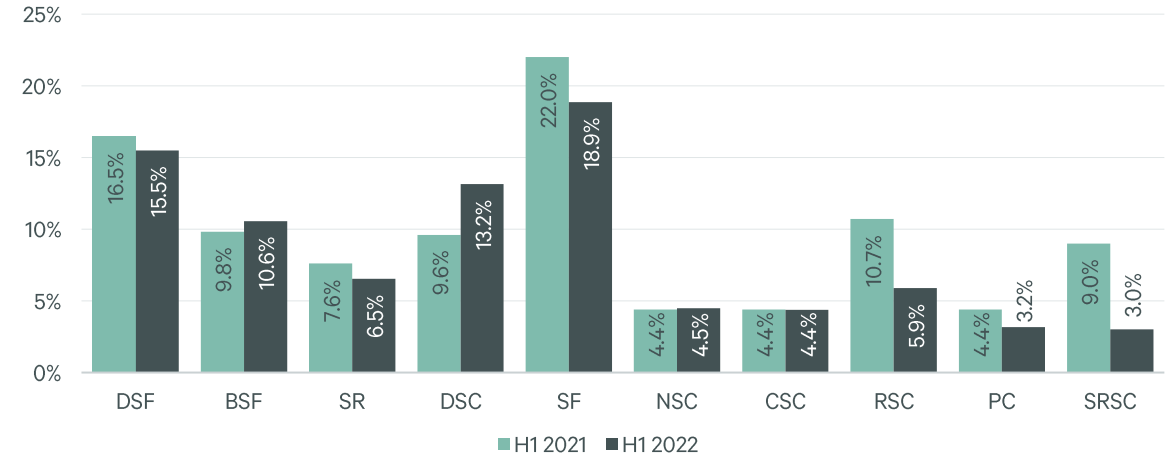
Source: CBRE Research, H1 2022.

FIGURE 7: Retail Statistics by Trade Area

| Trade Area | Total Rental Area (SF) | Vacancy Rate (%) |
|---------------------------|------------------------|------------------|
| Central Business District | 5,413,591 | 12.6% |
| East | 7,300,396 | 3.8% |
| North Central | 3,010,910 | 4.7% |
| Northwest | 7,178,286 | 5.5% |
| South Central | 8,054,981 | 6.4% |
| Southeast | 3,141,708 | 2.2% |
| South | 2,569,457 | 3.7% |
| West | 3,351,461 | 5.3% |
| Total | 40,020,790 | 5.9% |

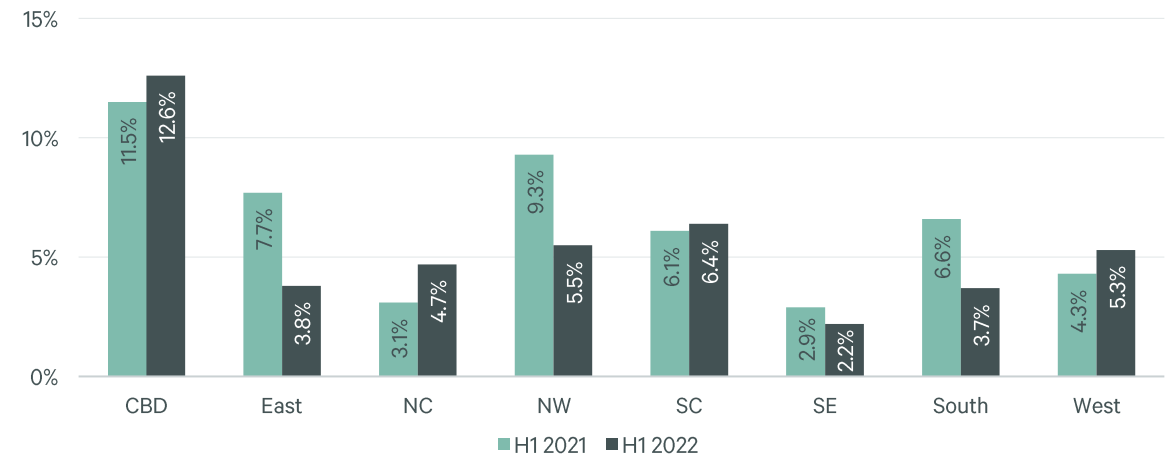
Source: CBRE Research, H1 2022.

FIGURE 8: Change in Vacancy by Retail Type (Y-o-Y) – Definitions on final page



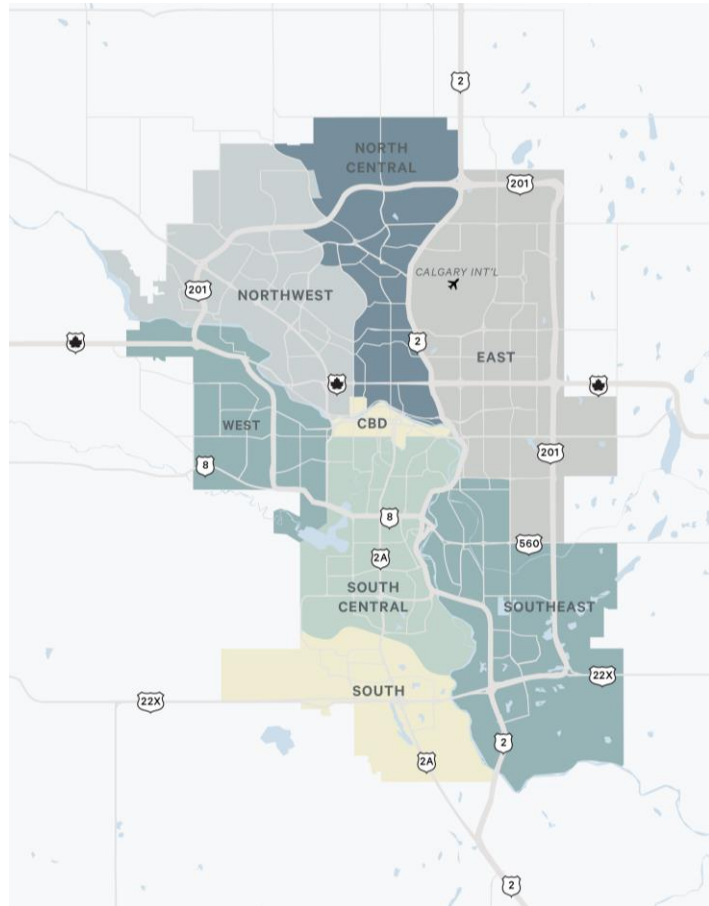
Source: CBRE Research, H1 2022.

FIGURE 9: Change in Vacancy by Trade Area (Y-o-Y)



Source: CBRE Research, H1 2022.

Market Area Overview



Definitions

Super Regional Shopping Centre (SRSC): Enclosed shopping centre usually with three or more anchor tenants.

Downtown Shopping Centre (DSC): Downtown enclosed malls including downtown office food courts.

Regional Shopping Centre (RSC): Enclosed shopping centre usually with at least two anchor tenants. Provides goods and services on a regional scale.

Power Centre (PC): Two or more big-box retailers, sharing the same parking facilities and tenants of the same development, perhaps along with some other small ancillary commercial activities

Small Retail (SR): Strip malls or smaller than neighbourhood shopping centre

Neighbourhood Shopping Centre (NSC): Centre that usually has a supermarket as an anchor and provides convenience goods and personal services.

Community Shopping Centre (CSC): Centre that usually has a supermarket and one other anchor, such as a junior department store, which provides goods and services to the surround community

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