Calgary

2024 Property Assessment
Industrial Market Trends
Executive Summary

Once again, I am pleased to present Assessment & Tax's Market Trends Report series.

These reports are provided to assist property owners in gaining a clearer understanding of the real estate market conditions from July 1, 2022 to July 1, 2023.

Key findings from both residential and non-residential sectors underscore the vibrancy and robust health of Calgary's real estate market. Sales data has shown that Calgary's residential market kept thriving, despite the Bank of Canada's interest rate hikes. The sustained growth was primarily driven by a surge in migration causing an influx of new buyers entering Calgary's relatively affordable housing market. Residential condominium sales soared as these buyers were attracted to budget-friendly housing options. The typical assessment change for residential properties this year is 10 per cent. The year-over-year single residential property change is nine per cent, residential condominiums are 17 per cent, and multi-residential is four per cent.

The non-residential sector remains stable with property values continuing to show resiliency. Industrial properties are outpacing other sector properties due to the sustained demand as Calgary remains a major distribution hub. Calgary's Downtown office market, the main driver of the office inventory, continues to be stable. Retail properties are exhibiting vitality and strength with new businesses filling vacant spaces quickly. This has resulted in higher rental rates and value increases. The typical assessment change for non-residential properties is three per cent with an industrial property change of nine per cent, office sector flat at zero per cent, and retail increasing at two per cent.

I encourage property owners to review the information provided in the Market Trends Reports and the supplementary information available on calgary.ca/assessment for a more thorough understanding of the 2024 property assessment changes. Should you have questions, our team would be pleased to help. Please contact us at 403.268.2888.

Sincerely,

Edwin Lee
Director/City Assessor
Assessment & Tax
Sales information for Industrial properties is also available on Assessment Search (calgary.ca/assessmentsearch).

For industrial warehouse and condominium sales please use this comprehensive list. (industrial-sales.pdf)
What Is Property Assessment?

Property Assessment is the determination of a value for a property for taxation purposes. As required by provincial legislation, the 2024 property assessment reflects the market value of property on July 1, 2023 and the physical condition and characteristics of property as of December 31, 2023.

How We Assess Properties

The City annually assesses properties under a market value standard using mass appraisal techniques. Depending on the type of property, we use one of three approaches to determine market value:

- **sales comparison**: comparing to sales of similar properties.
- **income**: capitalize the income being generated by the property.
- **cost**: land value and the depreciated replacement cost of the improvement.

Most residential properties are assessed using the sales comparison approach. For non-residential properties, we may use any one of the three approaches. Some property types, such as farm land, are subject to standards other than market value.
Calgary Region Economic Trends

The Calgary economy grew by 3.1 per cent in 2023, supported by robust crude oil production and exports in the province, strong energy sector cashflows, solid consumer spending and residential investment driven by population growth. Business investment and housing spending cooled down in 2023 due to the elevated interest rate environment and higher borrowing costs before improving going forward.

The real GDP growth rate for the Calgary Economic Region in 2023 remained robust and exceeded the provincial, Canadian, U.S. and global economic performance. However, rising debt servicing costs and Calgarians’ worsening indebtedness weighed on consumer spending. Non-residential and business fixed investment levels declined as businesses continued to exercise caution in the face of uncertainty and elevated financing costs, while housing investment remained resilient, driven by strong apartment construction.

Strong population growth and labour market performance increased economy-wide earnings and boosted economic activity and consumer spending. Total building construction investments were estimated to reach $5.7 billion in 2023, while total housing starts were estimated to increase by over 14,000 units. Positive nominal wage growth, employment growth and strong net migration generated robust housing demand, while the tight housing inventory contributed to positive resale average house price appreciation in 2023.

Consumer prices in Calgary were growing at a slower pace in 2023. After a 7.2 per cent increase in 2022, the annual average inflation growth in Calgary moderated to 3.9 per cent in 2023. Inflation should continue to decelerate, but there are signs of persistent inflationary pressures from food and shelter categories.

* - 2023 stats are best estimates
** - 2024 stats are projections
The Industrial market remains among the most sought-after non-residential property type in the city. There were strong levels of market interest and sales activity between July 1, 2022, to July 1, 2023. Factors contributing to the overall desirability of this property type were key factors such as low vacancy, rising rental rates, capitalization rate compression, new developments, and healthy levels of investment. Calgary's economy, transportation, and logistical advantages, along with the continued trends in e-commerce demands, have all led to increased property value of Calgary's Industrial market.

General Industrial Market Overview

The demand for industrial space continues to be robust. In past years, available Industrial supply was lagging relative to demand. Now, with the completion of large-scale projects, more space has been added. However, most of this supply has been absorbed leaving the market primed and ready for future development opportunities. Calgary's competitive advantage over other areas of Canada makes it a desirable location for businesses and investors. Benefiting from access to major highways, rail lines and an international airport, it is strategically located close to suppliers and customers. In addition, there are cost advantages, competitive land costs and access to all services available. This has led the sales activity in the Industrial market to remain strong throughout 2023.

Demand  Low Vacancy
Supply  Limited supply has spurred development
Sales  Strong demand and shortage of supply has resulted in increased sales volume and value
One of the largest contributing factors to demand for residential real estate over the past year was favourable lending conditions. Mortgage rates neared all-time lows in early 2021, expanding purchasing power for most homebuyers. While mortgage stress test scenarios were made more stringent in June 2021, Calgary’s relatively affordable housing market was unfazed. Additionally, the Government of Canada’s First-Time Homebuyer incentive, which was launched in 2019 and revised in 2020, has gained modest traction. The shared-equity loan program which has seen little uptake in targeted markets such as Toronto, Vancouver, and Victoria, has been most used in Alberta. Calgary has made the second most applications in the country, next only to Edmonton, according to numbers provided by CMHC.

The other notable factor of demand over the past year was related to the COVID-19 pandemic. Improved employment levels and optimism about economic recovery contributed greatly to increased demand. Additionally, changing buyer preferences resulted in particularly high demand for certain types of property, particularly those that would afford buyers more space.

To determine the value of industrial properties, 417 sales transactions from a five-year timeframe, approximately 15 per cent of the warehouse and distribution inventory were used to determine 2024 assessment values. A five-year timeframe was reviewed to provide a greater sample size of sales, which results in more accurate and stable assessments. Within the last five years, Q4 of 2019 was noted as being a strong quarter in terms of sale value, with Q2 of 2023 also showing significant value and volume of sales transactions. Some of the largest industrial real estate investments have occurred within the last year. This can in part be attributed to increases in online shopping trends which increases the need for distribution centres. This change has had a noticeable impact on the large format distribution sector, as retail and e-commerce firms build out their distribution network to meet the quick-delivery expectations demanded by consumers. For the 2024 Assessment Roll, a typical large-bay warehouse over 100,000 square feet will experience a year-over-year increase in value of 13 per cent. Overall, industrial properties’ assessment values are increasing at a higher rate than other non-residential property types. The increased demand has contributed to an overall warehouse inventory increase of 9.50 per cent in property value in comparison to 2023.
New Supply

Industrial space continues to be in short supply, despite new developments coming onto the market in 2023. As a result, Calgary remains impacted by a lack of product and high demand. High absorption and low vacancy has led to an increase in property values. The City has been proactive in increasing supply of industrial lands, most recently with the new Industrial park in south Calgary called Constellation. Additionally, a proposal for a new Stoney Industrial Park development is being explored, which would increase the available product within Calgary.

The following developments were completed in 2023:

<table>
<thead>
<tr>
<th>Project Name</th>
<th>Size (ft²)</th>
<th>Economic Zone</th>
<th>Building Type</th>
<th>Developer</th>
</tr>
</thead>
<tbody>
<tr>
<td>YYC6 Project Violin</td>
<td>1,200,000</td>
<td>South</td>
<td>Warehouse/Office</td>
<td>Beecal Developments</td>
</tr>
<tr>
<td>Enright 7257</td>
<td>103,528</td>
<td>South</td>
<td>Warehouse/Office</td>
<td>Enright</td>
</tr>
<tr>
<td>Duf erin Distribution</td>
<td>351,808</td>
<td>South</td>
<td>Distribution Centre</td>
<td>CT REIT</td>
</tr>
<tr>
<td>Barlow Crossing Building H</td>
<td>252,952</td>
<td>South</td>
<td>Distribution Centre</td>
<td>Remington</td>
</tr>
</tbody>
</table>

The following developments are anticipated to be completed by early 2024:

<table>
<thead>
<tr>
<th>Project Name</th>
<th>Size (ft²)</th>
<th>Economic Zone</th>
<th>Building Type</th>
<th>Developer</th>
</tr>
</thead>
<tbody>
<tr>
<td>68th Street Logistics Park - Building 1 &amp; 2</td>
<td>758,403</td>
<td>South</td>
<td>Warehouse/Office</td>
<td>Panattoni</td>
</tr>
<tr>
<td>iPort Starfield - Building 4 &amp; 5</td>
<td>372,548</td>
<td>South</td>
<td>Warehouse/Office</td>
<td>Triovest</td>
</tr>
<tr>
<td>Great Plains Expansion</td>
<td>220,112</td>
<td>South</td>
<td>Warehouse/Office</td>
<td>Triovest</td>
</tr>
<tr>
<td>Stonegate Industrial Building 5A &amp; 5B</td>
<td>583,853</td>
<td>North</td>
<td>Warehouse/Office</td>
<td>One Properties</td>
</tr>
</tbody>
</table>

The first construction boom within the industrial inventory of the city was between 1970 and 1983. Construction slowed through the 1990s and increased again in the early 2000s. Since then, construction has progressed in steady waves up until 2019. In 2019, industrial growth had again stalled, with very limited new supply entering the market. Beginning in 2021, the city started seeing record levels of absorption in distribution spaces resulting from dramatic increases in online shopping trends. Construction costs for labour and materials continue to rise, however, the rate of increase has slowed compared to previous years. This past year has also been on pace to be another notable twelve months of unprecedented space quickly being absorbed.
Industrial Condominiums

The demand for industrial condominiums remains strong. While the sales market for industrial product saw higher than normal levels of activity, owner occupied properties and condominium sales dominated this front, driving up both sales volumes and value. A total of 837 sales were analyzed within the 5-year valuation timeframe, this represents 28 per cent of the condominium inventory. Condominium sales activity has represented approximately 67 per cent of all industrial sales over the past year. Sales numbers remain robust, both in terms of volume as well as price per square foot. Total sales values continued to high levels in Q2 of 2023 with 63 transactions that totaled over $46 million in value. Condo sales transactions are predominantly completed by owner-users who steer towards purchase as an attractive alternative to leasing. Given the continuous demand for these properties, an increase in total condominium values of 7 per cent from last year has been observed.

The following are new supply condominiums:

<table>
<thead>
<tr>
<th>Project Name</th>
<th>Size (ft²)</th>
<th>Economic Zone</th>
<th>Building Type</th>
<th>Developer</th>
</tr>
</thead>
<tbody>
<tr>
<td>RISE at Point Trotter</td>
<td>214,401</td>
<td>South</td>
<td>Condominium</td>
<td>Beedie Development</td>
</tr>
<tr>
<td>Central at Sunridge</td>
<td>134,701</td>
<td>North</td>
<td>Condominium</td>
<td>Bucci Developments</td>
</tr>
</tbody>
</table>

Notable Sales

<table>
<thead>
<tr>
<th>Address</th>
<th>Size (ft²)</th>
<th>Economic Zone</th>
<th>Sale date</th>
<th>Sale price</th>
</tr>
</thead>
<tbody>
<tr>
<td>6140 44 Street SE</td>
<td>10,940</td>
<td>South</td>
<td>8/3/2022</td>
<td>$2,330,000</td>
</tr>
<tr>
<td>185 - 5250 110 Avenue SE</td>
<td>8,779</td>
<td>South</td>
<td>5/15/2023</td>
<td>$2,425,225</td>
</tr>
<tr>
<td>99 - 4511 Glenmore Trail SE</td>
<td>10,543</td>
<td>South</td>
<td>6/8/2023</td>
<td>$1,630,000</td>
</tr>
<tr>
<td>1225 38 Avenue NE</td>
<td>6,189</td>
<td>North</td>
<td>4/13/2023</td>
<td>$1,524,995</td>
</tr>
</tbody>
</table>
Appendix A : Industrial Valuation Methodology

Market Factors

The following are observed market factors that exist within the industrial market:

<table>
<thead>
<tr>
<th>Market Factors</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assessable Area</td>
<td>The assessable area of an industrial building is based on its gross building area in accordance with industry standards. Gross building area is best described as the total area of the building – measured from the exterior walls – plus rentable mezzanine or upper floor space. All else being equal, the larger the building, typically the higher the market value of the property.</td>
</tr>
<tr>
<td>Finished Area</td>
<td>Finished area refers to finished space, such as office and retail tenant improvements, expressed as a percentage of the total assessable area. Finished area is typically worth more than warehouse or storage space.</td>
</tr>
<tr>
<td>Land Use Designation</td>
<td>The land use designation refers to the permitted and discretionary uses of a parcel under the current Land Use Designation Bylaw 1P2007. The land use of industrial property governs what can and cannot be built on a parcel of land. As such, some land uses are observed to trade at a premium versus others.</td>
</tr>
<tr>
<td>Location</td>
<td>Certain industrial parks may be considered to trade at a premium or a discount depending on the market evidence available and supply and demand of each. The factor values for location change from year to year.</td>
</tr>
<tr>
<td>Outbuilding</td>
<td>An outbuilding refers to structures that are any combination of unheated, non-insulated, non-permanent or poorly constructed structure with limited utility that adds less value to a property than a typical industrial building.</td>
</tr>
<tr>
<td>Site Coverage</td>
<td>Site coverage (also referred to as site density) captures the site area and utility of a property and is calculated by dividing the total building footprint of a property by its lot size. All else being equal, a property with lower site coverage has a larger piece of land and greater site utility, when compared to a property with higher site coverage and would therefore be expected to trade for more.</td>
</tr>
<tr>
<td>Tenancy</td>
<td>Tenancy has been broken down into two categories based on the number of bays within an improvement. Industrial Warehouse Single (IWS) properties are characterized by properties with one or two bays. Industrial Warehouse Multiple (IWM) properties consist of three or more bays. Typically, IWM properties trade at a premium with lower attributed risk and typically higher rental rates attributed to smaller bays, all else being equal.</td>
</tr>
<tr>
<td>Year of Construction</td>
<td>The age of an industrial building is measured by the actual year of construction as per its development permit. Properties that have undergone significant renovations or have had newer additions added may require an Effective Year of Construction (EYOC) to appropriately value the improvements. The older the building, the less economic life remaining, and typically, the lower its contributory value.</td>
</tr>
</tbody>
</table>

Data Collection

Accurate data is the foundation for creating high quality market value assessments. In order to find the most accurate data possible, a variety of sources are relied upon.

Assessment Request for Information (ARFI)

Every year, The City distributes a survey to industrial property owners. This survey asks owners to confirm the physical data on record for their property. It also asks them to confirm the accuracy of lease information for their property. Property owners are able to identify any errors or required changes and then return that information for use in future years assessments.

Highlights

• For more information about the ARFI process, visit calgary.ca/assessment
• Of the 2,810 ARFIs that were sent to industrial property owners in 2023, 2,099 (75%) were returned.

Physical Inspections

The City of Calgary regularly conducts site inspections; the purpose of which is to confirm the accuracy of physical data associated with the property.

Permits

Permit information is reviewed as it is submitted. This includes new developments that are monitored throughout the construction process along with changes to existing inventory.

Market Information

The City of Calgary receives all property land transfers directly from the Government of Alberta’s Land Titles Office. While this information provides insight into the market, The City closely reviews the information and research provided from industry market reports and real estate data services.
Appendix A: Industrial Valuation Methodology

Direct Sales Comparison Approach

In order to develop accurate assessments, economic (sales) data is compared to physical data in order to determine what market factors contribute to value within the industrial sector. Once the factors that impact value are determined, market analysis is conducted to determine each specific factor value. The factor values are applied to industrial properties to arrive at market value.

There are three primary approaches to value in appraisal theory: the direct sales comparison approach, the income approach, and the cost approach. For industrial property, the City considers all three approaches. With the abundance of sales within the industrial inventory the direct comparison approach is relied on for the typical industrial property.

Cost Approach

Market value assessments using the cost approach are comprised of two main components: the depreciated replacement cost of an improvement and the estimated land value. The replacement cost of an industrial building is calculated by using industry standard construction cost data which is updated annually.

Depreciation is the reduction in value of an asset due to general wear and tear over time. GST is also removed from the replacement cost calculation. The land value component is calculated using the sales of similar parcels of land within Calgary.

Industrial properties typically valued using the cost approach are those that rarely transfer in the open market or have unique construction characteristics where there is limited market data to lend comparability.

Defintions:
Market Factors
The physical and legal characteristics of a property that contribute to its market value.
For a list of the market factors that impact industrial properties (excluding condominiums), see page 6 of this report.

Factor Value
The amount by which a specific market factor impacts the market value of a property.

Market Value
The most probable price, for which the property rights should sell after reasonable exposure in a competitive market.

The Cost Approach

A valuation indication is derived by estimating the current cost to construct a reproduction of (or replacement for) the existing structure, deducting depreciation from the total cost and adding the estimated land value.

The Appraisal of Real Estate, Third Canadian Edition

Depreciation
Depreciation is the difference between the market value of an improvement and its reproduction or replacement cost at the time of the appraisal.

The Appraisal of Real Estate, Third Canadian Edition

Industrial Properties
Commonly valued on the Cost Approach include:
- Mini-warehouse/self storage
- Purpose built properties
- Garden centres

Land Value: For more information on the valuation of industrial land, see Calgary Land Market Trends - 2024, at: calgary.ca/assessment

Questions about your 2024 Property Assessment

Phone: 403-268-2888
(Mon. – Fri., 8 a.m. – 4:30 p.m.)

Online:
calgary.ca/assessment

Hearing impaired:
Contact 711 to request 403-268-2888

In-person:
Call 403-268-2888 to book an appointment

Mail:
The City of Calgary (M8002)
P.O. Box 2100, 5th M, Calgary, AB T2P 2M5

The Customer Review Period is your time to review and ensure the accuracy of your 2024 property assessment. If you have questions, our website can help. Or, if necessary, contact us before the end of the Customer Review Period to have your assessment looked over.

Learn more at calgary.ca/assessment

Additional information about your assessment rights: An assessed person is entitled to see or receive a summary of an assessment of any other assessed property in accordance with Section 299 or 299.1 (or both) of the Municipal Government Act. An assessed person is also entitled to see or receive a summary of an assessment of any other assessed property in accordance with Section 300 or 300.1 (or both) of the Municipal Government Act. Please review the information on this notice above on how to view and/or request the information.

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