



2022

WESTERN CANADA
SINGLE-TENANT NNN SALES OVERVIEW

Marcus & Millichap

2022 SINGLE-TENANT NNN INVESTMENT SUMMARY

Entering 2022, there was a general tone of investor optimism. The COVID-19 pandemic was largely viewed as “a thing of the past” with most of the restrictions lifted and a general acceptance of the “new normal”. However, despite the lifting of restrictions, positive market sentiment was being challenged by rumblings of economic turmoil ahead. While the first quarter of 2022 was a promising extension of the robust investment activity from 2021, central bankers began cautioning the market of pending interest rate hikes aimed at combating soaring inflation. On March 2, 2022, the Bank of Canada made good on its warnings by raising the Target Overnight Rate from 0.25% to 0.50%, a policy maneuver most economists and active market participants were anticipating. The Bank of Canada then went on to announce six more rate hikes over the course of 2022, finishing off at 4.25%; a resounding 400 basis point increase over the course of nine months. The Bank of Canada’s 2022 monetary policy propelled buyers into a “wait and see” approach while sellers took time to regain their footing from the jarring fluctuation to their asset values over a nine-month period.

Despite the economic headwinds, our group’s activity across Western Canada in the Single-Tenant investment sector exceeded our 2021 activity. While the ongoing rate hikes made cap rates hard to predict, our team was able to maintain healthy transaction momentum by focusing on a few key areas:

- Well-located product in primary markets (Metro Vancouver, Calgary, Edmonton, amongst others) and strong secondary markets (Kelowna, Kamloops, Victoria, and Nanaimo) with AAA tenants and landlord-friendly NNN leases
- Immediate value-add opportunities through increases in both density and/or rental rates upon lease renewal or expiry
- Vendor-take-back (“VTB”) and/or assumable mortgages offered at below-market financing (i.e., pre-March 2022 debt) which assists seller’s in maintaining elevated pricing

As we turn the corner into 2023, we expect to see interest rates stabilize and potentially soften as inflation simmers across most sectors. We predict B.C. product will continue to be preferable for most private capital, as investors seek security and liquidity in these uncertain economic times. However, cash is still king, and investors seeking higher returns will tend to find more appealing opportunities in Alberta or Saskatchewan, the latter province being a marketplace our group is expanding into in 2023.

Caution aside, the amount of deployable capital is significant. Following the relatively stagnant second half of 2022, we expect to see investment activity start to increase in Q2/Q3 of 2023 as investors look to deploy capital and vendors regain perspective on yet another “new normal”.



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Marcus & Millichap

MARKET PRESENCE

2022 OVERVIEW



\$109.9 M SALES VOLUME



21 TRANSACTIONS



20 DIFFERENT MARKETS

TRAILING 5 YEARS (2018-2022)



\$470.6 M SALES VOLUME



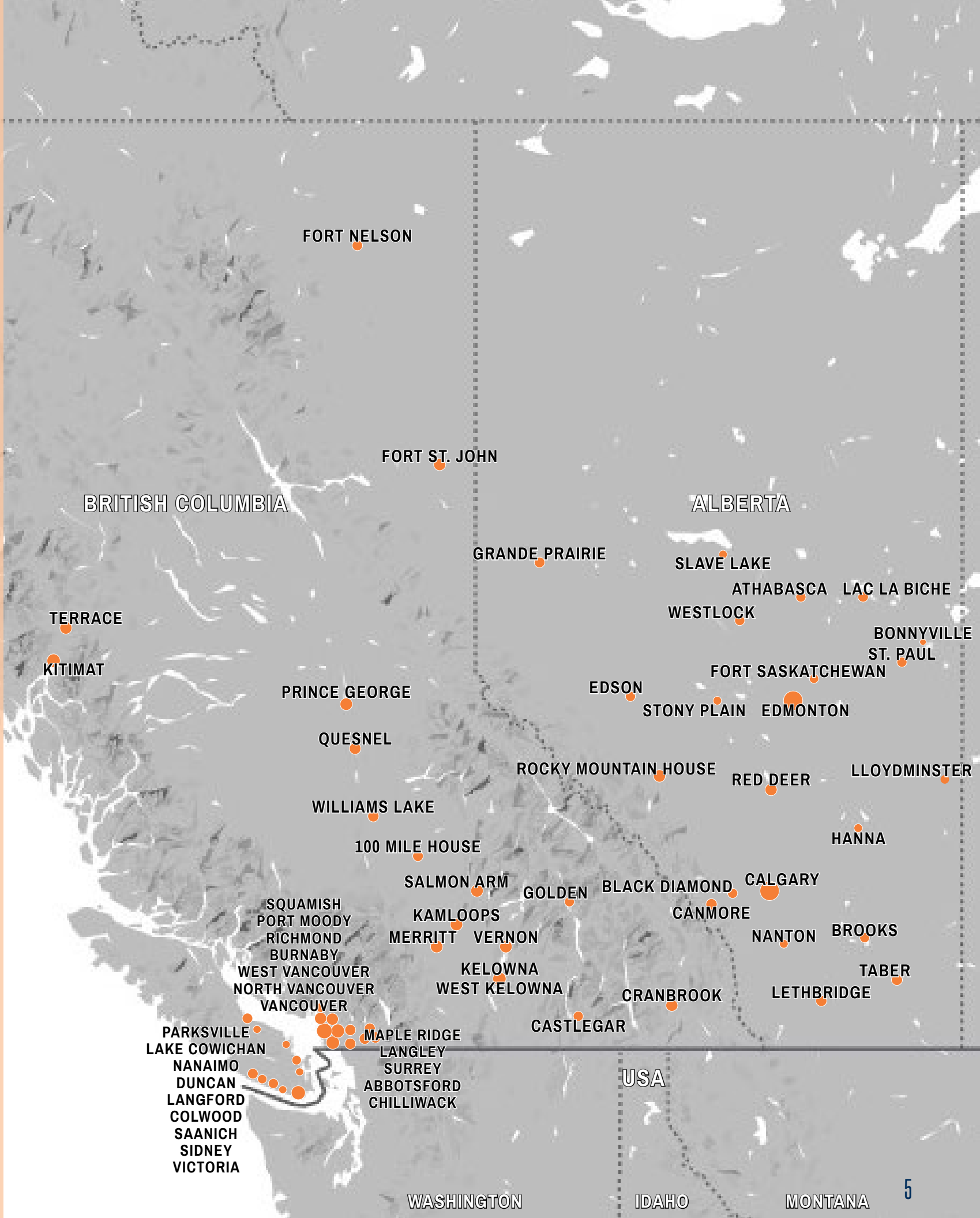
103 TRANSACTIONS



59 DIFFERENT MARKETS

IN CATEGORIES INCLUDING:

- AUTOMOTIVE / GAS STATIONS
- CINEMA / ENTERTAINMENT
- DRUG / PHARMACY
- FINANCIAL INSTITUTION
- FITNESS
- GROCERY
- GOVERNMENT
- INDUSTRIAL
- LARGE FORMAT RETAILER
- MID-BOX / DISCOUNT RETAILER
- OFFICE
- QUICK SERVICE RESTAURANT (DRIVE-THRU)
- RESTAURANTS (SIT-DOWN)



METRO VANCOUVER HIGHLIGHTS (TRAILING 5 YEARS)

\$168.3 M
SALES VOLUME

28
TRANSACTIONS

1.66% - 5.12%
CAP RATE RANGE

FEATURED PROPERTY: 6535 KINGSWAY, BURNABY, B.C.



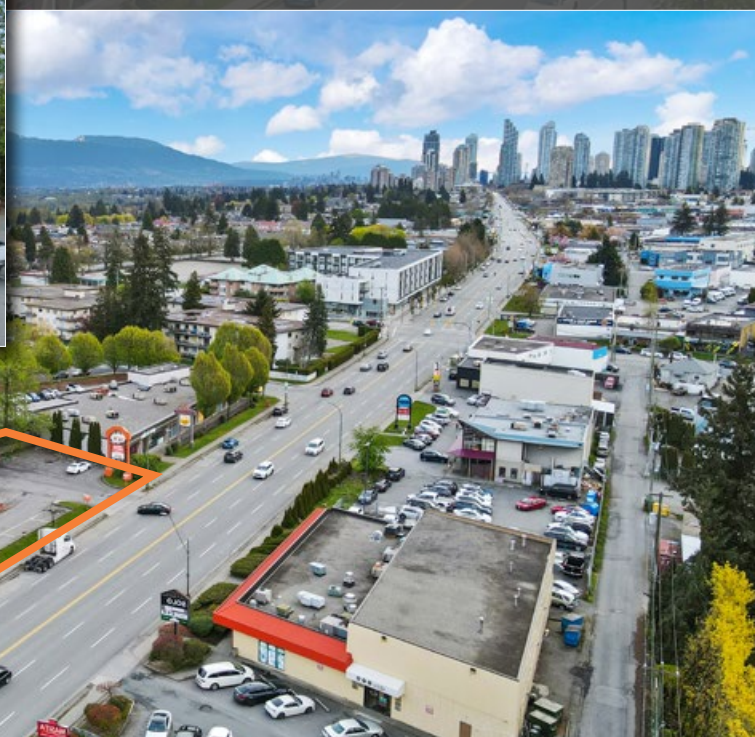
Development site with holding income from A&W drive-thru



35,850 SF site with over 300' of frontage along Kingsway provides various development options



Positioned in close proximity to Edmonds Town Centre benefiting from future neighbourhood gentrification



INTERIOR B.C. / NORTHERN B.C. HIGHLIGHTS (TRAILING 5 YEARS)

\$65.2 M
SALES VOLUME

26
TRANSACTIONS

2.86% - 11.30%
CAP RATE RANGE

FEATURED PROPERTY: 294 BERNARD AVENUE, KELOWNA, B.C.



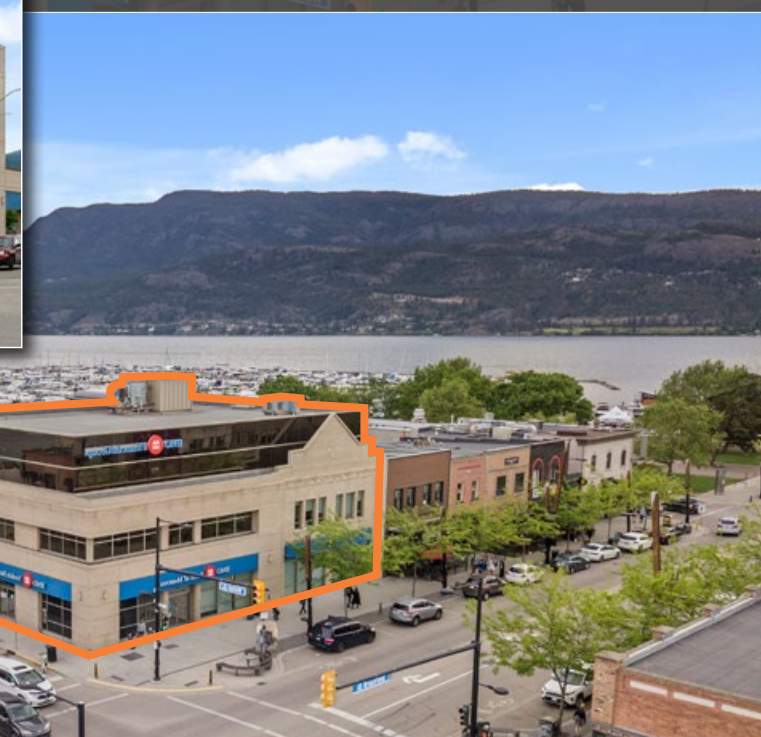
High-profile, stand-alone financial institution, secured by a single lease with the Bank of Montreal



Carefree, long-term NNN lease secured by AAA covenant



Located at the intersection of Bernard Avenue and Water Street in Kelowna's downtown core



*Completed in conjunction with David Morris, Marcus & Millichap

VANCOUVER ISLAND HIGHLIGHTS (TRAILING 5 YEARS)

\$88.1 M

SALES VOLUME

17

TRANSACTIONS

3.90% - 6.56%

CAP RATE RANGE

FEATURED PROPERTY: 500 FORT STREET, VICTORIA, B.C.



9,899 SF commercial building secured by Keg Restaurants Ltd.



Unparalleled location in Victoria's Old Town District, nearby Victoria's Inner Harbour and major retail and landmark tourist destinations



The tenant is operating on a long-term, NNN lease and has a longstanding tenure of over 40 years in this location



ALBERTA HIGHLIGHTS (TRAILING 5 YEARS)

\$149.0 M

SALES VOLUME

32

TRANSACTIONS

4.53% - 10.26%

CAP RATE RANGE

FEATURED PROPERTY: 201 54 STREET & 302 53 STREET, EDSON, AB



Grocery shadow-anchored retail plaza comprised of two freestanding buildings, with nearly 23,000 SF of leasable area



Strong national and regional covenant tenants: Tim Hortons, Shoppers Drug Mart, and Ace Liquor



NNN leases with attractive term remaining



COMPANY & GROUP OVERVIEW

NNNGROUP.CA

We are a commercial real estate brokerage group that specializes in the acquisition and disposition of single-tenant NNN properties. Our goal is to continue to build trustworthy, longstanding relationships with our clients and support them through strong market research and insight into market activity, valuations, comparable lease rates, and other strategic discussions regarding single-tenant properties.

Our exclusive focus on the sale of single-tenant NNN properties has enabled us to become the leading experts in the industry. We provide:

- ✔ Expert market updates, and single tenant net lease advisory services
- ✔ Market sale comparables in your region to help value your property
- ✔ Both on-market and off-market opportunities for further investment

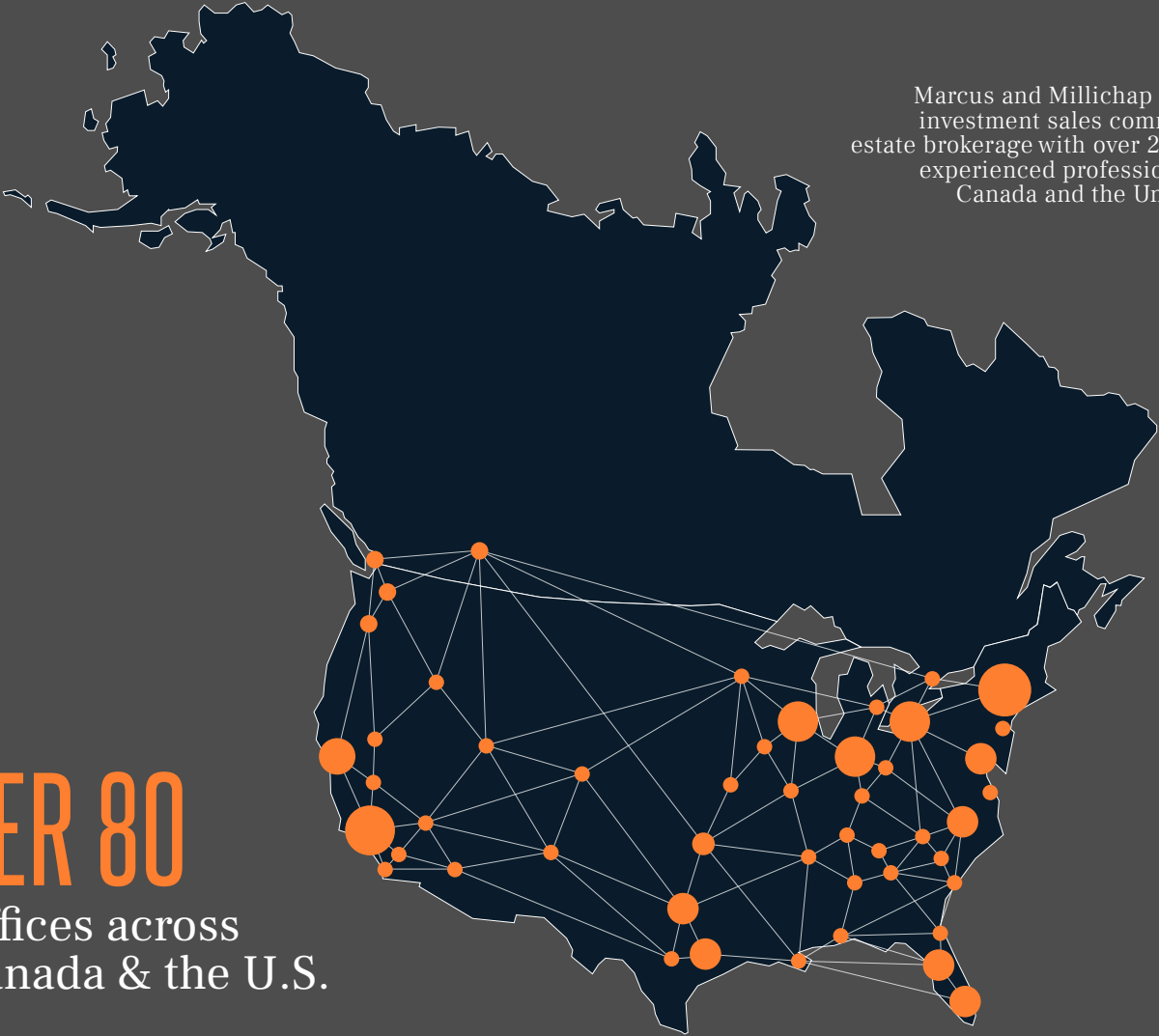
Our competitive advantage lies in operating as a collaborative, boutique, retail-focused brokerage with the horsepower of an international brokerage. Our specialization in retail assets has allowed our group to develop one of the most extensive databases of relationships with national, regional, and local investors, retailers, and landlords.

Marcus & Millichap REIS Canada Inc. is a leading commercial real estate brokerage with offices across Canada and the United States. From the start, the company's entire business model has been focused on one goal: matching every property with the largest pool of qualified buyers. Achieving this, one property at a time, requires a combination of unique features and commitments that we make to our clients, including:

- 🤝 Most active single-tenant net lease investment sales group in Western Canada
- 💰 Trusted advisors for the sale of >\$470.6M in commercial real estate during the trailing five years



Marcus and Millichap is a leading investment sales commercial real estate brokerage with over 2,000 highly experienced professionals across Canada and the United States.



OVER 80
Offices across
Canada & the U.S.

NOTABLE 2022 TRANSACTIONS

<p>7855 Kingsway, Burnaby, B.C.</p> <p>SOLD NOVEMBER 2022</p>	<p>1924 8 Street N, Cranbrook, B.C.</p> <p>SOLD SEPTEMBER 2022</p>	<p>630 Garbally Road, Victoria, B.C.</p> <p>SOLD FEBRUARY 2022</p>
<p>4801 50 Avenue, Stony Plain, AB</p> <p>SOLD MAY 2022</p>	<p>2602 E Hastings Street, Vancouver, B.C.</p> <p>SOLD FEBRUARY 2022</p>	<p>11909 224 Street, Maple Ridge, B.C.</p> <p>SOLD JANUARY 2022</p>
<p>112 Town Crest Road, Fort Saskatchewan, AB</p> <p>SOLD MAY 2022</p>	<p>5690 N Island Highway, Nanaimo, B.C.</p> <p>SOLD AUGUST 2022</p>	

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