

# URBANSTAR CORPORATE UPDATE



## URBANSTAR CORPORATE UPDATE – NOVEMBER 2020

### About UrbanStar

Headquartered in Calgary, Alberta and with an overseas office in Tokyo, UrbanStar is a company that designs, builds and operates real estate asset management solutions for investors. The portfolio strategy for real estate products is consistently focused on investments in regional cities in the growing markets of western Canada. For additional information please visit UrbanStar's updated corporate website at <https://www.urbanstargroup.ca>.



As Canada and the global economies continue to adapt and slowly reopen in response to the COVID pandemic, UrbanStar too, has had to adapt to the new commercial environment. A partial suspension of our day to day operations was mandated through local governmental regulation and a transition to remote work-from-home policy was required for several months. As local policies were relaxed, UrbanStar staff returned to the office in May.

Many investors have seen a serious reduction or complete loss in some of their investment portfolios as conventional investment products were challenged. UrbanStar's land investment products, however, remain stable, viable, and valuable. We have heard from our investors that this is an important part of their investment portfolio and UrbanStar would like to provide this update. We are providing this Corporate Update to help you understand how the new economic environment (both local and global) have and may continue to impact our business.

### About UrbanStar

To help recall what has happened in the past, please review the past Corporate Updates:

[UrbanStar Corporate Update – March 2020](#)

[UrbanStar Corporate Update – December 2019](#)

[UrbanStar Corporate Update – August 2019](#)

[UrbanStar Corporate Update – May 2019 \(2\)](#)

[UrbanStar Corporate Update – May 2019 \(1\)](#)

[UrbanStar Corporate Update – December 12, 2018](#)

[UrbanStar Corporate Update – October 6, 2018](#)

[UrbanStar Corporate Update – September 18, 2018](#)

[UrbanStar Corporate Update – August 20, 2018](#)

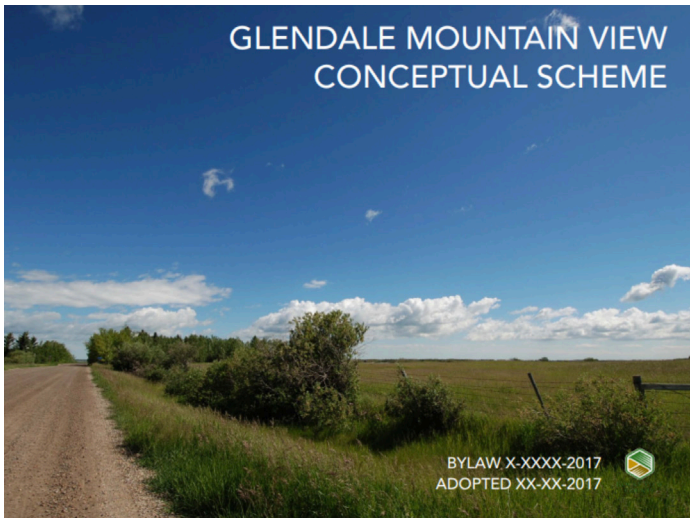
[UrbanStar Corporate Update – July 19, 2018](#)

## Project Planning

Our project updates are presented by the Principal and Senior Planner of Township Planning + Design Inc., Kristi Beunder (formerly Principal of Civic Works). Kristi has been the planning lead with UrbanStar for 7+ years and is a Registered Professional Planner (RPP) and Full member of the Canadian Institute of Planners (MCIP). She holds a bachelor's degree in Political Science and a master's degree in Environmental Design (Community Planning) from the University of Calgary. She has also achieved a certificate in Urban Design from Simon Fraser University. Kristi's experience with the creation of new, vibrant communities and land development clients undertaking residential, commercial and industrial projects has been vital to UrbanStar's success to date.

## Project Updates

### Glendale Mountain View



Kristi has been actively engaged with the Rocky View County administration.

#### She explains:

*"We have been waiting patiently, as have all developers in the area. Rocky View has not adhered to their own posted deadlines for the release of the Bearspaw Area Structure Plan (ASP). We cannot push the Glendale Mountain View application forward without the new ASP in place, the old ASP doesn't provide the correct policy framework for Council to approve the current plan for Glendale Mountain View."*

Kristi has spoken with the County regarding the servicing component of the ASP and as of early October they have not formalized the land use scenarios for servicing. This means that they are still not prepared to release a draft ASP at this time.

This is a frustrating situation as, to date, there have been many reasons for the delays. The most recent, of course, is the COVID situation. However, we must be realistic. Due to COVID, many of the County employees were working remotely from March to September and Council has not been

holding any large public hearings. Due to restrictions caused by physical distancing in the Council chambers, not many people can attend at once. Business on Council has slowed down everywhere, including the major cities in the area who still have Council meetings with councillors attending by Zoom. This is not ideal for large development applications, as the complexities of these proposals cannot be conveyed or readily understood by Council in Zoom meetings.

We must also remain optimistic. The Rocky View website ([Bearsapaw ASP Review](#)) provides updates on the Bearspaw plan and although their timeline has slipped, there is still a plan in place and a path to success. The Bearspaw ASP provide the process to service Glendale Mountain View with water and wastewater and until we know the County's plan for these services it would be unwise to bring or push Glendale Mountain View further forward than it is. It is important to remember that the concept plan was submitted in 2017 and that all the studies that were required are completed.

We are simply in an administrative processing delay and we need to stay the course. (See our original plan submitted in 2017 – [Glendale Mountainview Conceptual Scheme](#))

### Horse Creek

The Horse Creek application process continues to experience positive progress.

In April, UrbanStar commissioned Township Planning + Design to prepare a digital framework in InDesign for future publication and release of the Horse Creek Conceptual Scheme. The document framework discusses and summarizes all required studies and the policies that will inform the future development of this site. This framework will allow us to build the plan and populate it into the formal submission much more quickly when we are ready to proceed.

We have also been monitoring the MacDonald Group application. We were advised by MacDonald Group's agent that this application would proceed to Council in March, however, again, due both to COVID and existing

sanitary servicing constraints, it has not yet proceeded. The MacDonald Group application, if successful, will help set a density precedent that UrbanStar will assimilate, and repeat, in Horse Creek Phases 1 and 2. In addition, it should help inform a more regional servicing strategy for sanitary services, which in turn, assists Horse Creek Phase 1 & 2 in determining the exact density we should be proceeding with. The density chosen will be a function of what is approved in the area and the cost to bring both water and sanitary services to the site.

Additional good news is that although sanitary servicing in North Cochrane is still limited under current infrastructure, the Council at Rocky View is looking to purchase both the Horse Creek water and wastewater systems in order to allow for more development in North Cochrane. Council made a motion to acquire the Horse Creek Water system as follows:

#### Minutes from 1 Sept 2020:

Council moved into a closed session to consider the confidential item *"Horse Creek Water & Sewer Update"* under Section 24 and 25 of the Freedom of Information and Protection of Privacy Act (FOIP). Council moved back into the public session and directed Administration to continue its negotiations with Horse Creek Water & Waste Services Inc. under the terms outlined in confidential report RVC2020-30.

This progressive action indicates to us that the Council is attempting to acquire the wastewater system in order to expand the system's capacity. This was done so that they can support more growth in North Cochrane – including our Horse Creek development!

With Horse Creek, we felt it prudent to wait until the MacDonald Group application proceeds and the sanitary solutions and costs to UrbanStar are known.

UrbanStar appreciates the frustrations investors may have with the slow progress on these two projects, however, we are in a position where administration and other actors will impact our next move on both sites. Both sites are currently benefiting from the actions of administration. Glendale Mountainview will benefit from the new ASP plan that will more closely align with what we are proposing, and Horse Creek will benefit by the County being active in finding servicing solutions for the area. As such, we feel it accelerates the future approvals of both projects if we wait until administration has made their recommendations and completed the projects assigned.

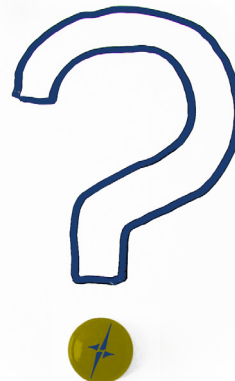
Despite the pandemic, the Calgary and regional growth outlook remains positive. The City is averaging year over year growth of 1.4% of their total population (18,000-person net migration per year) and the Calgary

Region is also staying consistent with those numbers. In terms of the percent of the population that is working, called the employment rate, Calgary's number is exceptionally high compared to other Canadian cities.

### Despite the pandemic, the Calgary and regional growth outlook remains positive

In other words, we have a very enviable percentage of people employed in Calgary. It is so high that even when Calgary has a high unemployment rate (The unemployment rate is the percentage of the total labor force that is unemployed but still actively seeking employment and willing to work), Calgary still has a higher proportion of its total population employed than anywhere else in Canada. (See report : [Economic and Population Outlook](#))

The pandemic has presented many challenges to the business community. Perhaps the greatest challenge for UrbanStar is the ability to meet and communicate face to face with our investors. It is our continued pledge that once international travel is permitted again, we will resume the one on one attention that our investors have become accustomed to.



### Frequently Asked Questions

**Q: What is the updated exit timing for my investment?**

A: The value of our land based opportunities is founded on the change in value brought about by the change in zoning. The potential increase of value in the land when it goes

from Rural/Agriculture to mid-density residential is significant. This change can only be achieved through the arduous process of a Land Use Change application. That process requires the involvement of not just the developer, but also the administrative jurisdiction of where the land is, the surrounding community residents, and the councillors that represent the area. Although the process has been and is being followed, there have been challenges beyond our control that have delayed our progress:

- A newly elected political party for the first time in over 40 years of the provincial government implemented changes to the submission and approval process. This resulted in UrbanStar having to re-submit the application after our initial submission.



• COVID-19. The global pandemic shut down business, services, and some governmental agencies. The agencies that process this type of application are just now starting to resume operations. However, the in-person community forums that have traditionally been a part of the process are still not recommended (due to social distancing) and are therefore still delaying our progress.

Once the process has resumed to normal, we would still expect a delay from the government agencies as they work through the backlog of approvals that were suspended due to being shut down (UrbanStar cannot predict the length of this delay). UrbanStar is confident that once our submission has been reviewed it will be approved. Upon approval, UrbanStar will endeavour to market the land asset to residential and commercial developers and capture the highest return for the Investors.

#### Q: How is the regional real estate market?

A: In early March of 2020, Calgary businesses and residents adjusted to a new normal amid social distancing measures to contain the spread of the COVID-19. While the real estate industry, deemed an essential service, was continuing to operate, real estate professionals were forced to pivot, forgoing open houses for virtual home tours.

### Calgary businesses and residents adjusted to a new normal amid social distancing measures

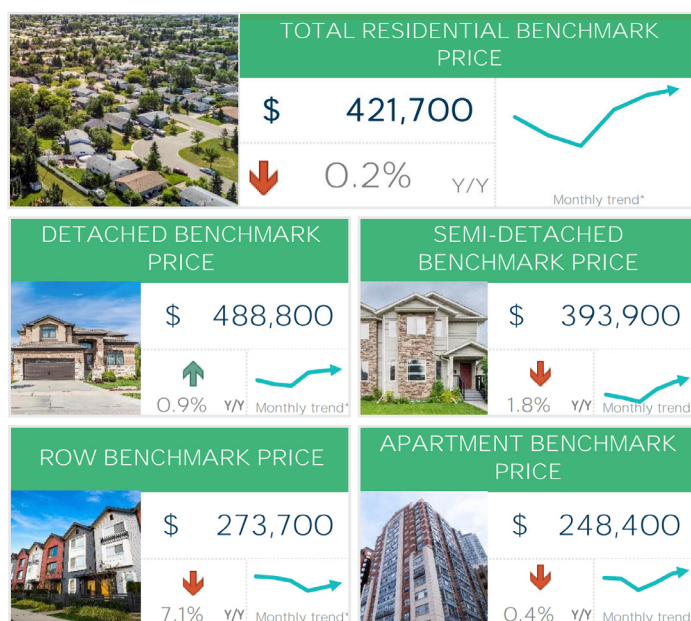
The full impact of these measures and business closures were most felt by the Calgary economy and real estate market over the month of April. Overall home sales plummeted almost 63%, new listings were down 54%, and the average price of a Calgary home fell more than 8%. These trends were mirrored in the communities surrounding Calgary with April providing only 66 sales in Rocky View County.

Amid an environment of business closures, social isolation and depressed consumer confidence, it comes as no surprise that demand within the market was falling, and that sales activity was on the decline. Chief economist for the Calgary Real Estate Board (CREB) Ann-Marie Lurie commented in the CREB market update for April: *“Demand is also falling faster than supply. This is keeping the market in buyers’ territory and weighing on prices.”*

In April of 2019, the average price of a home was \$460,953 – by the end of April 2020, the average home price was sitting at \$422,655. The steepest price plunge has been seen in homes priced over \$600,000.

By September 2020, the real estate industry in the Calgary area was reignited and demand in the Calgary market will

help to re-balance the market and flatten the curve in terms of dropping real estate prices. Home sales in Rocky View County in September were reported at 134, which was a 103% increase over April’s numbers. A reduction in new listings limited sales growth in September compared to August. However, September sales remain higher than 2019 and contributed to a year-to-date gain of nearly nine per cent. Rising sales and easing inventories have kept the months of supply below four months, the lowest level seen since 2014. Tighter market conditions have supported an upward trend in prices over the past three months. The recent price gains did translate to year-over-year gains in September, but were not enough to offset earlier pullbacks, as year-to-date prices remain nearly two percent lower than last year’s levels. Most promising is that the region is still in growth mode with net in-migration remaining greater than out-migration which should keep the outlook positive.



#### Calgary Market Trend Summary

#### Q: How is the economy in Calgary?

A: There is some uncertainty around Calgary’s economic outlook due to the double economic impacts from the COVID-19 pandemic and crude oil price collapse. However, a fast growing, young, highly educated working population in the city will be the driver for the future growth in consumption, residential investment and economic diversification. Since the economic relaunch, more than half of the jobs lost at the start of the pandemic have returned in Calgary. The unemployment rate in the Calgary metropolitan area was still the highest among major Canadian metropolitan areas, however, the gaps between Calgary and other regions narrowed as the COVID-19 lockdowns have pushed up unemployment rates in all other Canadian regions. Today,



### Calgary and Region Economic Outlook

Calgary's labour market participation rate and employment rate remain the highest among Canadian regions. With small hospitality, travel, and tourism sectors, Calgary may fare better than other large Canadian regions like Toronto and Vancouver as job recovery in contact-intensive service sectors remains depressed post COVID-19 lockdowns.

#### **Q: How has COVID-19 affected my investment?**

A: The greatest impact COVID-19 has had on your investments have been in the form of timing. The delays that have resulted in getting our applications approved have effectively delayed the timing of our sales efforts to exit the investment. Exit timelines continue to be

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the most difficult metric to predict as we are beholden to several levels of governmental approval however the land assets remain very valuable due to their physical proximity to the Calgary-Cochrane growth corridor. UrbanStar remains the preeminent land developer in the area and we remain very bullish on the rising value of the land assets.

This advertisement does not constitute a solicitation or an offer to purchase the securities referred to herein, which is being made to qualified investors. There are risks associated with an investment in land and our investments are not guaranteed. The value of land can fluctuate significantly as a result of among other things, changing economic and real estate market conditions, and the past performance of our land investments is not necessarily representative of current or future performance.

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