

Investor Update



## **Pacific Calgary Opportunity Trust (PCOT II): Investor Update**

**June 2020** - We hope this letter finds you and your loved ones safe and healthy. The Pacific office is now fully open during business hours again, although staff will still work a 4 day work week, with the office closed on Friday, until September when it is expected regular full-time hours will be in effect.

Over the past few months, while the pandemic has unfolded, there has been limited opportunity to advance the Pacific Calgary Opportunity Trust II (PCOTII) into an exit with a Purchaser, for the obvious reason that the land development community has been in a temporary stasis, like so many other industry verticals.

Planning and engineering work on the project has, however, continued unabated over the first half of 2020. Between October of last year and May of this year, there was considerable cooperation between our neighbours, Hopewell Developments, and ourselves relating to their Interlink Logistics Park and our McClellan Business Park. Combining offsite servicing strategies and cost-sharing initiatives dominated our discussions, and we have come away knowing more about Hopewell's plan to move forward into development this year. There are positive implications that will affect our bottom line as we position our property for sale when business conditions permit and encourage an exit.

The East Balzac region where we purchased land had been a valued destination for logistics firms within industrial land development circles, pre-pandemic shutdown, due to excellent transportation connections to two major arteries (QEII and Stoney Trail) and the Airport (as an Inland Port for logistics). The East Balzac region has over the past year seems to have reached a tipping point where there is less development land available compared with lands that have already been developed and occupied. Pacific believes this bodes well for our future outcomes from PCOTII.

It was apparent that major logistics companies (trucking, warehousing, online retailers) already preferred East Balzac to similar options in Calgary before the Covid-19 crisis. The planning/ regulatory environment in Rocky View County is more business-friendly, and the tax burden is much less than within Calgary's City limits. It stands to reason that, in the near future, the logistics industry will have been made more energized and active by the way in which Covid-19 has moved even more of the population's preference to online retailing. Pacific believes this creates ideal conditions for an exit from the property at a more suitable price than what has been available to us over the past couple of years. *This is assuming there is no second pandemic shutdown, as we all hope the worst of the economic impacts are behind us.*

Having achieved Subdivision Planning approvals in October 2019 that were appropriate for an exit/ sale, Pacific now has the benefit of more information on logistics prospects, and the types of development land they will need as the industry continues to grow in terms of shipping and storage volume, as they relate to land use and consumption.

To this end, Pacific will be submitting second, simplified subdivision plan to Rocky View County in the next two weeks in order to solidify cost savings and attract the right buyers when business and economic activity settles into a higher gear in the fall. By maximizing parcel size and developable acres while minimizing onsite and offsite costs, Pacific is looking to harmonize with the needs of buyers of industrial/ logistics parcels, some of whom we have heard from since the pandemic crisis took hold in March.

The subdivision re-approval process is handled by the Municipal Planning Commission in Rocky View, therefore the process is more streamlined, and there is no need to go before Council a second time. Pacific will advance both the subdivision re-approval and the search for a Purchaser simultaneously, and will update Investors as we reach our goals in the coming months.

Please contact me if you have further questions.

Best Regards,

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