



YoY  
Chg

12-Mo.  
Forecast

20.6%

Vacancy Rate



-23K

Net Absorption, SF



\$14.95

Net Asking Rent, PSF



(Overall, All Property Classes)

#### ECONOMIC INDICATORS Q4 2019

YoY  
Chg

12-Mo.  
Forecast

875K

Calgary  
Employment

7.4%

Calgary  
Unemployment Rate

5.9%

Canadian  
Unemployment Rate

Source: Statistics Canada

#### ECONOMY: Protracted Recovery Garner Cautious Optimism

The fourth quarter of 2019 brought some longer-term certainty to Calgary's energy-based economy; however, many unanswered questions and a wait-and-see approach persisted. The ongoing story of the Trans Mountain Pipeline and its opponents' efforts to appeal it in the courts continues to play out. Although general sentiment is that the project will eventually move forward in earnest, the continued delays will certainly result in higher costs due to rising labour and material prices.

With the Conservatives sweeping the Prairie provinces of Alberta, Saskatchewan, and Manitoba, and the re-elected Liberal Party winning a minority government, questions remain about what that means for future pipelines and the health of the energy sector overall and the timing of a recovery. Huskey Energy laid off a rumored 400 employees, and Encana has announced its intention to relocate its headquarters from Calgary to Denver, rebranding the company as Ovintiv.

Despite the headwinds of uncertainty, Calgary's economy continued to add jobs, registering a total of 31,900 net new jobs in the past 12 months – the majority of which were in the educational, healthcare, and professional services sectors. Additionally, the City of Calgary has made efforts to attract renewed investment via its \$100 million Opportunity Calgary Investment Fund (OCIF).

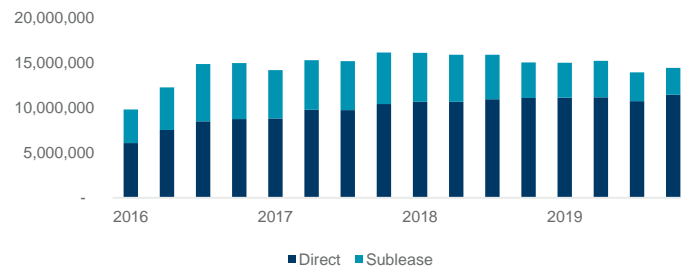
#### DEMAND: Emerging Industries Expanding Their Footprint

Following a robust start to the year, fourth quarter 2019 leasing activity dipped - accounting for 13.6% of overall new leasing activity for the year. Though demand from Calgary's traditional office users remained limited, the city's emerging technology sector continued to grow. Absorb Technologies/LMS signed a 79,535 square foot (sf) lease at the recently delivered Telus Sky, expanding their footprint and relocating from The Atlantic Avenue Art Block at 1011 9<sup>th</sup> Avenue Southeast. Finger Food Advanced Technology Group, the Vancouver-based software company, signed a 26,371-sf lease at Brookfield Place. They received funding from the OCIF, and are reported to bring an additional 200 net new jobs to the Calgary market according to Techcouver.com.

#### PRICING: Asking Rents & Tenant-Favourable Conditions Hold

Due to persistent lacklustre demand, landlords (and sublandlords, which comprise 20% of available product) continued to hold asking rents steady – closing the fourth quarter of 2019 with an average of \$14.95 per square foot (psf). Class A product rental rates (including AAA and AA buildings) closed only slightly higher, with an average asking rent of \$17.80 psf, which has allowed tenants to continue their flight-to-quality (Class A leasing accounted for 68% of total activity for 2019). Offering top-tier locations and amenities, Class AAA asking rents remained the highest – closing the fourth quarter of 2019 at an average of \$25.58 psf.

#### DIRECT VS. SUBLEASE SPACE AVAILABILITY COMPARISON



#### OVERALL AVAILABILITY RATE & NET ASKING RENT



## MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	SUBLET VACANT (SF)	OVERALL AVAILABLE (SF)	OVERALL AVAILABILITY RATE	CURRENT QTR OVERALL NET ABSORPTION	YTD OVERALL ABSORPTION (SF)	YTD LEASING ACTIVITY (SF)	YTD NEW SUPPLY (SF)	OVERALL AVG. ASKING RENT (ALL CLASSES)*	OVERALL AVG ASKING RENT (CLASS A)*
Central Core	20,800,761	1,007,792	3,945,920	19.0%	-69,977	208,625	1,551,153	0	\$14.63	\$17.47
East Core	16,231,240	996,448	3,589,570	22.1%	346,504	628,047	1,311,263	472,924	\$19.17	\$20.17
West Core	6,757,428	133,657	2,149,882	31.8%	-50,364	-176,293	462,009	0	\$10.00	\$10.62
<b>DOWNTOWN SUBTOTAL</b>	<b>43,789,429</b>	<b>2,137,897</b>	<b>9,685,372</b>	<b>22.1%</b>	<b>226,163</b>	<b>660,379</b>	<b>3,324,425</b>	<b>472,924</b>	<b>\$15.43</b>	<b>\$18.97</b>
Beltline	7,038,231	327,163	1,429,840	20.3%	-34,204	-600,139	526,202	0	\$12.13	\$14.30
<b>TOTAL CENTRAL AREA</b>	<b>50,827,660</b>	<b>2,465,060</b>	<b>11,115,212</b>	<b>21.9%</b>	<b>191,959</b>	<b>60,240</b>	<b>3,850,627</b>	<b>472,924</b>	<b>\$14.95</b>	<b>\$18.72</b>
Northwest	2,273,929	13,800	360,541	15.9%	-82,550	-112,224	134,090	13,406	\$13.56	\$13.65
Northeast	6,343,699	132,073	1,034,165	16.3%	81,461	-765,273	234,013	47,920	\$12.92	\$17.08
<b>NORTH AREA SUBTOTAL</b>	<b>8,617,628</b>	<b>145,873</b>	<b>1,394,706</b>	<b>16.2%</b>	<b>-1,089</b>	<b>-877,497</b>	<b>368,103</b>	<b>61,326</b>	<b>\$13.10</b>	<b>\$15.97</b>
Southeast	6,982,342	343,636	1,309,255	18.8%	-184,568	301,422	439,048	29,367	\$13.53	\$14.92
Southwest	3,494,147	29,118	594,626	17.0%	-29,491	-10,971	226,755	0	\$13.30	\$13.40
<b>SOUTH AREA SUBTOTAL</b>	<b>10,476,489</b>	<b>372,754</b>	<b>1,903,881</b>	<b>18.2%</b>	<b>-214,059</b>	<b>290,451</b>	<b>665,803</b>	<b>29,367</b>	<b>\$13.41</b>	<b>\$14.10</b>
<b>TOTAL SUBURBAN AREA</b>	<b>19,094,117</b>	<b>518,627</b>	<b>3,298,587</b>	<b>17.3%</b>	<b>-215,148</b>	<b>-587,046</b>	<b>1,033,906</b>	<b>90,693</b>	<b>\$13.28</b>	<b>\$14.67</b>
<b>CALGARY TOTALS</b>	<b>69,921,777</b>	<b>2,983,687</b>	<b>14,413,799</b>	<b>20.6%</b>	<b>-23,189</b>	<b>-526,806</b>	<b>4,884,533</b>	<b>563,617</b>	<b>\$14.95</b>	<b>\$18.15</b>

\*Rental rates reflect net asking

## KEY LEASE TRANSACTIONS Q4 2019

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
685 Centre Street South (Telus Sky)	East Core	Absorb Technology/LMS	79,535	Relocation
225 6 Avenue SW (Brookfield Place)	East Core	Osler, Hoskin & Harcourt	40,730	Sublease
400 3 Avenue SW (Devon Tower)	Central Core	Heartland Generation	39,038	Relocation
500 Centre Street SE (The Bow)	East Core	Calgary Economic Development	34,000	Sublease
225 6 Avenue SW (Brookfield Place)	East Core	Finger Food Advanced Technology Group	26,371	New Lease

\*Renewals not included in leasing statistics

## KEY SALES TRANSACTIONS Q4 2019

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
3699 63 Avenue NE (ATB Campus)	Northeast	IG Investment Management/ Truth North Commercial REIT	209,454	\$100,500,000 / \$480
1000 -2000 Veterans Way NW (Cambrian Executive Place)	Northwest	Cambrian Development Corp./NWH Properties REIT	118,686	\$51,000,072 / \$430

## KEY CONSTRUCTION COMPLETIONS Q4 2019

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER / DEVELOPER
685 Centre Street South (Telus Sky)	East Core	Telus; Absorb Technology/LMS	472,924	Allied/Westbank

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