

| | YoY Chg | 12-Mo. Forecast |
|--|---------|-----------------|
| 26.8% Vacancy Rate | ▲ | ▲ |
| -1.7M Net Abs. YTD, SF | ▲ | ▲ |
| \$15.16 Net Asking Rent, PSF | ▲ | ▬ |

(Overall, All Property Classes)

ECONOMIC INDICATORS Q3 2021

| | YoY Chg | 12-Mo. Forecast |
|--|---------|-----------------|
| 816K Calgary, AB Employment | ▲ | ▲ |
| 8.9% Calgary, AB Unemployment Rate | ▼ | ▼ |
| 6.9% Canadian Unemployment Rate | ▼ | ▼ |

Source: Statistics Canada

ECONOMY: Promising Job Growth Did Not Yield Increase in Occupied Office Space

Overall employment in Calgary returned to its pre-COVID-19 level, adding 11,100 net new jobs in the third quarter of 2021. The finance, insurance, and real estate sectors along with the professional, scientific and technical services sectors registered the largest year-over-year (YOY) growth, with 18.4% and 16.7% respectively. Job growth in Calgary's energy sector registered a modest 2.7% increase YOY, as oil prices remained stable. The recovering economy and continued population growth had yet to have reverberations in the office market in the third quarter, as a large portion of office-using employees continued to work remotely.

SUPPLY: Landlords Continued to Respond to Over-Supply As Vacancy Reached New High

The steady suburban demand observed in the third quarter of 2021 was insufficient to offset continued consolidations in the Downtown market, where vacancy reached 30.0% for the first time. The city-wide vacancy rate climbed to a record high 26.8% by quarter-end, increasing 300-basis-points YOY. Husky Energy's move out of Western Canadian Place to consolidate under Cenovus Energy at The Bow resulted in over 600,000 square feet (sf) of negative absorption and was the largest contributing move to the 879,076 sf of overall negative absorption registered in the quarter.

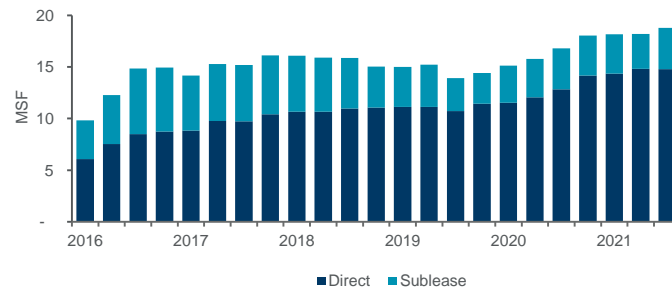
The City of Calgary introduced a \$45 million subsidy program, aiming to convert a total of six million square feet (msf) of Downtown office inventory by 2031. While the city did not disclose a list of applicants, they confirmed 13 applications were submitted at the close of the third quarter of 2021. With over 13 msf of Downtown office space currently vacant, targeted conversions are a key component of the city's strategy to reduce the Downtown vacancy rate to 14.0% in the next 10 years. As the overall Downtown vacancy rate for combined Class B and C inventory registered 41.1%, landlords moved to mitigate exposure on their portfolios by selling off assets on a per-square-foot basis. At the same time, premium-class assets — some currently under contract — were being traded on a cashflow and covenant basis. Most notably, the 2.0-msf landmark office tower "The Bow" sold by H&R REIT.

While new leasing activity decreased 8.4% YOY, local fintech start-up Neo Financial provided a notable example of the continued growth the Calgary technology sector is experiencing. Their 49,284-sf lease at Aspen Properties' The Edison was the largest lease recorded this quarter.

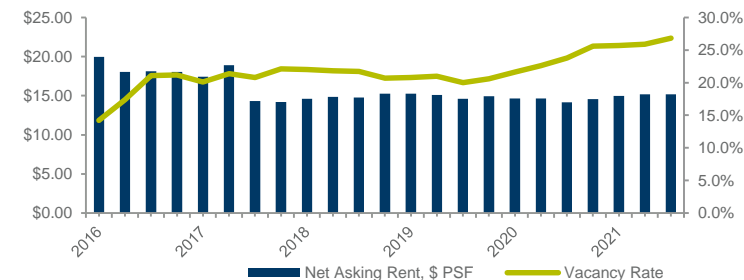
PRICING: Downtown Effective Rents Increasingly Competitive While Asking Rates Hold

Overall net asking rents recorded a modest decrease of \$0.02 per square foot (psf), closing the third quarter of 2021 at \$15.16 psf. While landlords continued to hold face rates, increased tenant allowances were offered to offset rising build-out costs, and the gap between asking rents and net effective rents (NER) widened. It was not yet observed if the increasingly competitive NERs and currently reduced property taxes in the Downtown core could attract tenants away from the Suburban market.

DIRECT VS. SUBLEASE SPACE AVAILABILITY COMPARISON



OVERALL VACANCY & ASKING NET RENT



MARKET STATISTICS

| SUBMARKET | INVENTORY (SF) | SUBLET VACANT (SF) | DIRECT VACANT (SF) | OVERALL VACANCY RATE | FUTURE AVAILABILITY RATE** | CURRENT QTR OVERALL NET ABSORPTION | YTD OVERALL ABSORPTION (SF) | YTD LEASING ACTIVITY (SF) | UNDER CNSTR (SF) | OVERALL AVG ASKING RENT (ALL CLASSES)* | OVERALL AVG ASKING RENT (CLASS A)* |
|----------------------------|-------------------|--------------------|--------------------|----------------------|----------------------------|------------------------------------|-----------------------------|---------------------------|------------------|--|------------------------------------|
| Central Core | 20,772,128 | 1,478,899 | 3,668,361 | 24.8% | 27.6% | -100,047 | -383,560 | 636,767 | 0 | \$14.42 | \$17.32 |
| East Core | 16,243,199 | 938,327 | 3,240,277 | 25.7% | 26.9% | -6,183 | -289,956 | 337,155 | 0 | \$18.66 | \$19.58 |
| West Core | 7,146,787 | 908,054 | 2,999,819 | 54.7% | 56.0% | -729,372 | -785,526 | 198,067 | 0 | \$11.23 | \$14.72 |
| DOWNTOWN SUBTOTAL | 44,162,114 | 3,325,280 | 9,908,457 | 30.0% | 31.9% | -835,602 | -1,459,042 | 1,171,989 | 0 | \$15.27 | \$18.08 |
| Beltline | 6,579,631 | 277,439 | 1,327,440 | 24.4% | 31.3% | -68,319 | -148,794 | 217,700 | 0 | \$12.34 | \$12.71 |
| TOTAL CENTRAL AREA | 50,741,745 | 3,602,719 | 11,235,897 | 29.2% | 31.8% | -903,921 | -1,607,836 | 1,389,689 | 0 | \$15.16 | \$17.98 |
| Northwest | 2,351,643 | 53,319 | 296,258 | 14.9% | 26.5% | -15,463 | -6,260 | 57,664 | 63,195 | \$20.10 | \$22.00 |
| Northeast | 6,257,365 | 70,353 | 1,110,808 | 18.9% | 20.9% | 48,011 | -27,447 | 184,026 | 0 | \$11.46 | \$16.21 |
| TOTAL NORTH AREA | 8,609,008 | 123,672 | 1,407,066 | 17.8% | 22.5% | 32,548 | -33,707 | 241,690 | 63,195 | \$12.12 | \$17.77 |
| Southeast | 7,274,628 | 236,940 | 1,525,174 | 24.2% | 28.3% | -7,899 | -43,937 | 200,355 | 0 | \$20.95 | \$25.88 |
| Southwest | 3,481,962 | 35,853 | 606,036 | 18.4% | 19.3% | 196 | -30,496 | 103,245 | 0 | \$12.88 | \$15.00 |
| TOTAL SOUTH AREA | 10,756,590 | 272,793 | 2,131,210 | 22.3% | 25.4% | -7,703 | -74,433 | 303,600 | 0 | \$16.01 | \$19.78 |
| TOTAL SUBURBAN AREA | 19,365,598 | 396,465 | 3,538,276 | 20.3% | 24.1% | 24,845 | -108,140 | 545,290 | 63,195 | \$15.16 | \$19.62 |
| CALGARY TOTALS | 70,107,343 | 3,999,184 | 14,774,173 | 26.8% | 29.7% | -879,076 | -1,715,976 | 1,934,979 | 63,195 | \$15.16 | \$18.09 |

*Rental rates reflect direct net asking \$psf/year weighted on vacant space

**Future Availability rates reflect current vacant space plus space currently marketed space for lease (but not yet vacant) at the close of the quarter

KEY LEASE TRANSACTIONS Q3 2021

| PROPERTY | SUBMARKET | TENANT | RSF | TYPE |
|--|--------------|-----------------|--------|-----------|
| The Edison (150 9 th Avenue SW) | East Core | Neo Financial | 49,284 | New Lease |
| Gulf Canada Square (401 9 th Avenue SW) | Central Core | InfoSys | 48,401 | Sublease |
| 7315 8 th Street NE | Northeast | Traffic Tech | 19,390 | New Lease |
| Eighth Avenue Place East (525 8 th Avenue SW) | Central Core | Corex Resources | 16,497 | Renewal* |
| Chevron Plaza (500 5 th Avenue SW) | Central Core | Hallman Group | 12,272 | New Lease |

*Renewals not included in leasing statistics

KEY SALES TRANSACTIONS Q3 2021

| PROPERTY | SUBMARKET | SELLER / BUYER | SF | PRICE/\$ PSF |
|--|-----------|--|---------|---------------|
| Teck Place (205 9 th Avenue SE) | East Core | Teck Resources Limited / AIMCO & Cidex Group | 107,231 | \$8.2M / \$76 |

DAN SALAZAR

Research Analyst

+1 403 261 1149/dan.salazar@cushwake.com

cushmanwakefield.com

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