

	YoY Chg	12-Mo. Forecast
26.8% Vacancy Rate	▲	▲
-1.9M Net Abs. YTD, SF	▲	▲
\$14.90 Net Asking Rent, PSF	▼	▼

(Overall, All Property Classes)

ECONOMIC INDICATORS Q4 2021

	YoY Chg	12-Mo. Forecast
834K Calgary, AB Employment	▲	▲
8.2% Calgary, AB Unemployment Rate	▼	▼
5.9% Canadian Unemployment Rate	▼	▼

Source: Statistics Canada

ECONOMY: Headwinds Persist Despite Continued Recovery

In December 2021, Alberta was on pace to post the largest GDP recovery among the Canadian provinces following the deepest economic contraction in 2020. However, recovery predictions were tempered by continuing supply chain issues, labour shortages, and the extended effect of the COVID-19 pandemic. In Calgary, the unemployment rate recovered to 8.2% by year-end from the 10.5% estimated in December 2020 yet remained well above the Canadian average of 5.9%. The labour force participation rate had also decreased to 71.2% from 73.1% a year earlier. Overall, Calgary employment increased by approximately 13,500 jobs over the fourth quarter while employment in the traditionally office-using sectors of finance, insurance, and real-estate decreased by 2,100.

DEMAND: Market Activity Sees Modest Increase

Activity in the overall Calgary office market recovered modestly in the fourth quarter of 2021, with the strongest quarter of the year. New lease transactions increased 23.2% from the third quarter and brought the annual total to 2.8 million square feet (msf). Demand was supported primarily by relocations and expansions, as smaller and more agile tenants looked to capitalize on tenant-favorable market conditions. Additionally, activity among tenants over 10,000 sf was notably renewed, with A-class buildings continuing to out-perform the remainder of the market. As a leading indicator, tour activity appeared to be on the rise in the suburban market, particularly in the later part of the fourth quarter.

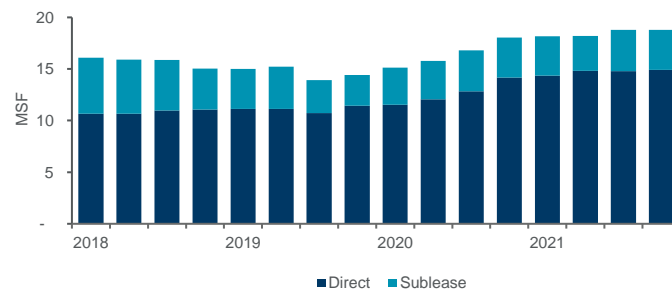
Consolidations and downsizings continued to outpace new tenancies, and negative net absorption was recorded for the eleventh consecutive quarter – a 302,213 sf decrease in occupied office space overall. After recording a total 3.0 msf of net negative annual absorption in 2020, the office market closed 2021 with a softened 1.9 msf net negative absorption for the year.

As vacant office space continued to enter the market, the city-wide vacancy rate closed the year at 26.8%, increasing by 210 bps year-over-year. The Downtown vacancy rate rose 20 bps to 30.2% in the fourth quarter, while vacancy in the suburban markets held steady at 19.9%. In addition to the 18.8 msf of vacant inventory in the market, 1.9 msf was available for occupancy within the next 6 months, bringing the city-wide future availability rate to 29.6%. The sublease market as a percentage of total vacant space remained steady from 2020 at approximately 21%.

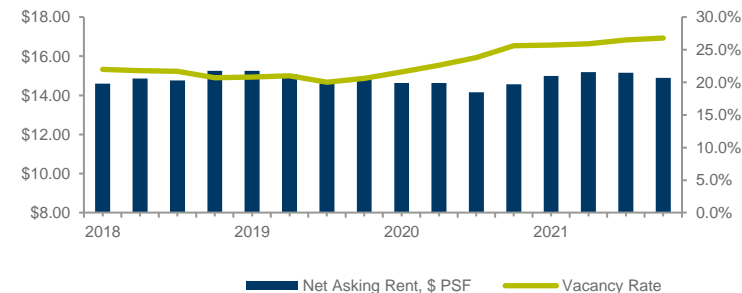
PRICING: Downward Pressure On Asking Rents Advantages Prospective Tenants

Net asking rents started a downwards correction with a decrease of \$0.12 per square foot (psf) in the fourth quarter of 2021. Closing the gap on net effective rents (NERs) subsidized by free-rent offerings and tenant improvement allowances, overall net asking rents registered \$14.90 psf at year-end. Average rents in B-class buildings saw the largest decreases. While NERs were starting to firm in newer and more sought-after projects, landlords who were better suited to offer attractive inducements remained more competitive.

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	1,449,969	3,813,404	25.34%	27.70%	-115,913	-516,955	876,778	0	\$14.18	\$17.28
East Core	16,243,199	962,394	3,188,409	25.55%	27.90%	-80,146	-271,928	699,282	0	\$18.59	\$19.63
West Core	7,146,787	886,274	3,024,628	54.72%	54.70%	-20,509	-788,555	270,939	0	\$10.89	\$14.47
DOWNTOWN SUBTOTAL	44,162,114	3,298,637	10,026,441	30.17%	32.10%	-216,568	-1,577,438	1,846,999	0	\$15.01	\$18.03
Beltline	6,579,631	241,888	1,401,203	25.00%	30.50%	-44,621	-190,415	295,938	0	\$12.11	\$13.06
TOTAL CENTRAL AREA	50,741,745	3,540,525	11,427,644	29.50%	31.90%	-261,189	-1,767,853	2,142,937	0	\$14.86	\$17.92
Northwest	2,351,643	53,319	302,771	15.10%	23.90%	-7,806	-14,066	73,257	63,195	\$11.79	\$18.20
Northeast	6,144,788	52,410	985,405	16.90%	20.00%	22,299	-4,261	207,822	0	\$12.13	\$14.60
TOTAL NORTH AREA	8,496,431	105,729	1,288,176	16.40%	21.10%	14,493	-18,327	281,079	63,195	\$12.08	\$15.37
Southeast	7,274,648	189,715	1,571,634	24.20%	27.50%	-29,474	-104,555	266,687	0	\$16.97	\$17.72
Southwest	3,481,962	47,752	620,307	19.20%	19.60%	-26,043	-54,119	130,421	0	\$13.58	\$15.00
TOTAL SOUTH AREA	10,756,610	237,467	2,191,941	22.60%	25.00%	-55,517	-158,674	397,108	0	\$15.93	\$17.04
TOTAL SUBURBAN AREA	19,253,041	343,196	3,480,117	19.90%	23.30%	-41,024	-177,001	678,187	63,195	\$15.02	\$16.92
CALGARY TOTALS	69,994,786	3,883,721	14,907,761	26.80%	29.54%	-302,213	-1,944,854	2,821,124	63,195	\$14.90	\$17.70

*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 Q4 2021

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
Hudson's Bay Building (200 8 th Avenue SW)	East Core	Neo Financial	62,000	New Lease
Bankers Hall West (888 3 rd Street SW)	Central Core	Paramount Resources	55,991	Renewal*
Centennial Place West (250 5 th Street SW)	Central Core	NOVA Chemicals	39,490	New Lease
Eighth Avenue Place East (525 8 th Avenue SW)	Central Core	Richardson GMP Securities	37,559	Renewal*
Fifth & Fifth (605 5 th Avenue SW)	Central Core	Long Shore Resources	23,000	New Lease

*Renewals not included in leasing statistics

KEY SALES TRANSACTIONS Q4 2021

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
Western Canadian Place North & South (707 8 th Avenue SW & 700 9 th Avenue SW)	West Core	Quadreal Property Group / Oak Street Real Estate Capital	1,067,708	\$475M / \$445
NovAtel Building (1120 68 th Avenue NE)	Northeast	1070483 Alberta Ltd. / Telsec Group	419,520	\$5M / \$56

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