

	YoY Chg	12-Mo. Forecast
27.3% Vacancy Rate	▲	▲
-257K Net Abs. YTD, SF	▲	▬
\$14.56 Net Asking Rent, PSF	▼	▲

(Overall, All Property Classes)

ECONOMIC INDICATORS Q4 2022

	YoY Chg	12-Mo. Forecast
875K Calgary, AB Employment	▲	▼
6.6% Calgary, AB Unemployment Rate	▼	▲
5.0% Canadian Unemployment Rate	▼	▲

Source: Statistics Canada

ECONOMY: Stabilized Oil Prices Support Energy Sector Growth

The Calgary economy, facing increased uncertainty at the end of 2022 following two years of strong economic growth, remained well positioned to face headwinds in 2023. Real GDP growth in Calgary, estimated at 4.1% in 2021 and 8.6% in 2022, was forecasted to slow significantly yet remain positive according to Moody's Analytics. Steady population growth and stabilized oil prices supported economic activity throughout 2022 and are expected to continue in 2023. Recession concerns rose in the fourth quarter, however, and the Calgary labour force shed approximately 17,200 jobs after steadily growing through the first three quarters.

DEMAND: Overall Vacancy Decreased in 2022 as Downtown Tenancies Expanded

Office tenants adjusted to the evolving workplace requirements in 2022 following the COVID-19 pandemic, and businesses looking to re-size or upgrade their office space fueled a surge of demand in the first half of the year. While market activity slowed in the second half, new lease transactions totaled 5.4 million square feet (msf) annually and led to the most active year for the Calgary office market since 2014. Leasing activity increased almost 90% year-over-year (YOY), but not all new activity was expansionary and tenants with increased space requirements were balanced by those downsizing. The flight-to-quality trend continued city wide as Class A leasing increased 180% YOY in the Suburban markets and over 130% YOY in the Central markets.

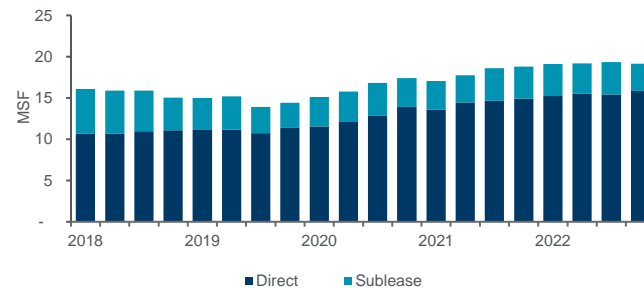
After previously consolidating operations, some energy sector companies moved to grow their Downtown offices in 2022 with some tenants re-occupying floors that had been offered for sublease. Additionally supported by relocations from financial services and technology tenants, net positive absorption of 289,697 square feet (sf) was recorded for 2022 in Calgary's Downtown. Positive absorption of Class A office was coupled with planned conversions which removed another 100,000 sf of Class C inventory from the market. As a result, the Downtown vacancy rate decreased for the first time since 2019 — down 70 basis points (bps) to 29.5%.

Suburban vacancy continued to increase in 2022 reaching 23.2% in December after Imperial Oil vacated two of the five buildings at their Quarry Park campus. Newly available for lease and totaling over 300,000 sf, the vacancy compounded slowed growth and suburban net absorption was recorded at negative 544,347 sf for the year.

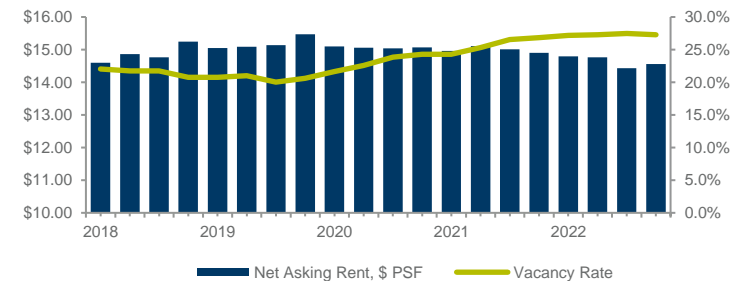
PRICING: Demand for Class A Office Lifted Average Asking Rents in the Fourth Quarter

While average net asking rents were reduced \$0.34 per-square-foot from a year prior, rent growth in the Class A market continued in the fourth quarter of 2022 and lifted the overall average to \$14.56 psf. The increase was observed in both the Downtown and Suburban markets where Class A net asking rents rose an average of 2.4% and 0.7% YOY respectively in 2022. At the other end of the market, limited demand pushed Class C rents down 12.2% YOY city-wide to \$10.73 psf.

DIRECT VS. SUBLEASE SPACE AVAILABILITY



OVERALL VACANCY & ASKING NET RENT



Note: Some historical data has been revised from what was originally reported for improved accuracy

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	20,660,099	1,217,779	3,981,867	25.2%	27.3%	271,936	11,641	1,354,591	0	\$13.58	\$17.26
East Core	16,318,561	696,489	3,364,377	24.9%	25.7%	292,238	168,054	1,559,744	0	\$18.83	\$20.16
West Core	7,116,953	777,224	2,979,811	52.8%	49.9%	41,812	110,002	438,742	0	\$9.29	\$14.88
DOWNTOWN SUBTOTAL	44,095,613	2,691,492	10,326,055	29.5%	30.0%	605,986	289,697	3,353,077	0	\$13.90	\$17.43
Beltline	6,549,542	218,709	1,392,534	24.6%	28.1%	-28,899	-2,273	440,274	0	\$14.11	\$17.35
TOTAL CENTRAL AREA	50,645,155	2,910,201	11,718,589	28.9%	27.3%	577,087	287,424	3,793,351	0	\$14.42	\$18.36
Northwest	2,374,838	15,222	310,066	13.7%	20.8%	-12,290	50,900	135,874	0	\$16.88	\$21.67
Northeast	5,200,904	170,017	1,059,912	23.6%	21.5%	-144,885	-318,743	369,590	0	\$12.37	\$15.56
TOTAL NORTH AREA	7,575,742	185,239	1,369,978	20.5%	21.3%	-157,175	-267,843	505,464	0	\$13.26	\$17.24
Southeast	8,506,482	154,787	2,209,770	27.8%	27.7%	-300,643	-425,019	712,697	0	\$16.25	\$16.96
Southwest	3,426,646	57,111	543,457	17.5%	20.7%	44,888	148,515	375,275	0	\$15.15	\$17.13
TOTAL SOUTH AREA	11,933,128	211,898	2,753,227	24.8%	25.7%	-255,755	-276,504	1,087,972	0	\$15.96	\$17.00
TOTAL SUBURBAN AREA	19,508,870	397,137	4,123,205	23.2%	24.0%	-412,930	-544,347	1,593,436	0	\$15.04	\$17.05
CALGARY TOTALS	70,154,025	3,307,338	15,841,794	27.3%	28.5%	164,157	-256,923	5,386,787	0	\$14.56	\$18.06

*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 2022

PROPERTY	SUBMARKET	TENANT	SF	TYPE*
First Tower (411 1st Street SE)	Central Core	City of Calgary	52,380	Headlease
Vista Heights (1925 18th Avenue NE)	Northeast	Wood Canada Limited	52,179	Renewal
The Bow (500 4th Avenue SW)	Central Core	Shell Canada Limited	40,196	Sublease
Centennial Place East (520 3rd Avenue SW)	Central Core	Undisclosed	23,015	Headlease
Airport Corporate Centre (1601 Airport Road NE)	Northeast	Undisclosed	21,169	Headlease

* Renewals not included in leasing statistics

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