

CALGARY OFFICE

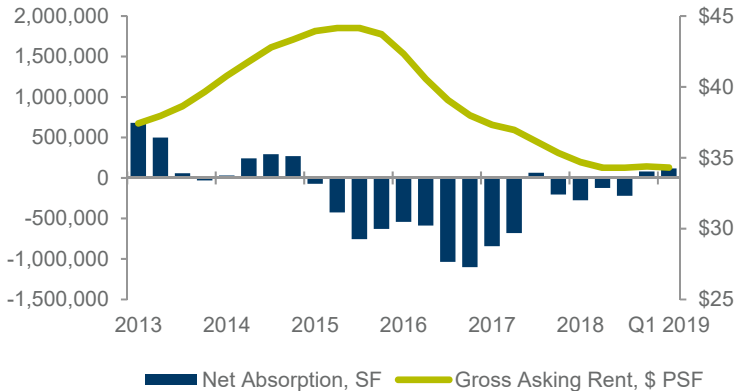
Economic Indicators

	Q1 18	Q1 19	12-Month Forecast
Calgary Employment	844.5K	845.5K	■
Calgary Unemployment	7.9%	7.6%	■
Canada Unemployment	5.8%	5.8%	■

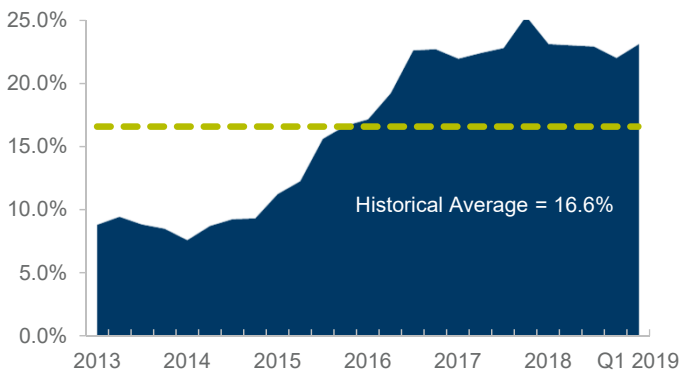
Market Indicators

	Q1 18	Q1 19	12-Month Forecast
Overall Availability	22.0%	20.8%	▲
Net Absorption (sf)	-151,192	-2,739	▼
Under Construction (sf)	711,813	603,063	▼
Average Asking Rent	\$34.03	\$33.73	■

Overall Net Absorption/Overall Asking Rent 4Q TRAILING AVERAGE



Overall Availability**



Economy

Calgary's unemployment rate continues to marginally improve, declining to 7.6% from 7.9% quarter-over-quarter. The provincial unemployment rate, however, rose over this same period from 6.7% to 7.1% and remains well above the national average at 5.8%. Alberta's economy remains heavily reliant on crude oil price as well as the transportation/pipeline issues of getting the commodity to market. The downturn in the oil and gas industry has seen Alberta's office requirements shrink, while experiencing rising costs and taxes. Calgary based companies have adjusted operations and await a stimulus, with the next event being the provincial election on April 16th 2019.

Market Overview

Three trends continue to dominate the office market: highly desired buildings, such as Eighth Avenue Place, are close to being fully leased, co-working space continues to expand, and large blocks of unoccupied space continue to be prevalent. Overall absorption was a negative 2,739 square feet (sf) in the first quarter of 2019; illustrating a flat start to the year. The "flight to quality" trend continues as premium asset classes accounted for 66% of the 0.8 million square feet of leasing activity for the quarter. This trend however is anticipated to come to an end as it appears larger companies have divested and/or locked in desired floor spaces and some tenants have taken back previously offered sublease space.

In the Downtown Core, overall vacancy improved 20 basis points from 23.0% in the fourth quarter of 2018 to 22.8% this quarter. Vacancy in the Central Core and East Core saw improvements of 60 and 120 basis points respectively, while vacancy in the West Core fell 320 basis points. Absorption in the West Core was negative 216,339 sf as 185,723 sf of direct space was added to the market on account of 8 floors becoming available at 715 5th Ave .

In the Suburban market, overall vacancy remained flat at 16.9%. Vacancy in the Northeast weakened by 190 basis points to 15.7%; a result of 128,534 sf of negative absorption largely due to Intergraph exiting the NovAtel Building which added 90,133 sf of available space to the market. The Southeast vacancy improved 160 basis points to 19.7% with 145,384 sf of absorption due to the recently completed Quarry Park Crossing Building A leasing up 106,000 sf of direct space.

Outlook

Alberta's economy rests largely on the price of oil and logistic issues. The government has invested in rail cars for crude transportation, creating ways around pipeline delays. The upcoming provincial and federal elections will weigh heavily on decision making for new capital programs. The transportation and warehousing sectors in Calgary are expected to excel in 2019 prior to the long-term outlook becoming clearer.

The Telus Sky completion, expected July 1st, 2019, will conclude the most recent downtown construction cycle. The downtown vacancy rate should begin to improve as availability of Class AAA/AA/A space shrinks. Upgrading of existing dated buildings has begun, such as First Tower purchased by Hines and Sun Life Plaza purchased by Aspen. Cushman & Wakefield research expects modest performance and a gradual reduction in vacancy over 2019.

**Overall Availability reflects current availability in addition to upcoming availability in the next 6 months

MARKETBEAT

Calgary, AB

Office Q1 2019



SUBMARKET	TOTAL BLDGS	INVENTORY (SF)	TOTAL VACANT (SF)	CURRENT AVAILABILITY RATE	OVERALL AVAILABILITY RATE**	CURRENT NET OVERALL ABSORPTION (SF)	YTD NET OVERALL ABSORPTION (SF)	UNDER CONSTR (SF)	OVERALL AVERAGE ASKING RENT (ALL CLASSES)*	OVERALL AVERAGE ASKING RENT (CLASS A)*
Central Core	70	20,800,761	4,032,471	19.4%	20.7%	122,074	122,074	0	\$33.32	\$35.84
East Core	44	15,758,316	3,673,797	23.3%	29.3%	70,896	70,896	492,063	\$38.85	\$40.16
West Core	49	6,757,428	2,189,928	32.4%	34.7%	-216,339	-216,339	0	\$26.64	\$27.42
Downtown Total	163	43,316,505	9,896,196	22.8%	26.0%	-23,369	-23,369	492,063	\$34.05	\$37.98
Beltline	108	7,740,736	1,513,748	19.6%	20.3%	4,152	4,152	0	\$33.00	\$36.34
Central Total	279	51,057,241	11,409,944	22.3%	25.2%	-19,217	-19,217	492,063	\$33.98	\$37.90
Northwest	54	2,471,414	273,772	11.1%	13.6%	-8,710	-8,710	0	\$38.22	\$40.92
Northeast	117	7,370,584	1,154,670	15.7%	16.2%	-139,096	-139,096	72,000	\$29.08	\$33.63
Southeast	114	7,825,227	1,541,444	19.7%	20.8%	127,710	127,710	39,000	\$30.94	\$32.16
Southwest	50	3,539,300	619,197	17.5%	18.9%	36,573	36,573	0	\$32.27	\$33.45
Suburban Total	164	21,206,525	3,589,083	16.9%	18.0%	16,478	16,478	111,000	\$31.51	\$33.53
CALGARY TOTALS	606	72,263,766	14,999,027	20.8%	23.1%	-2,739	-2,739	603,063	\$33.73	\$37.44

*Rental rates reflect gross asking \$psf/year

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SUMMARY BY CLASS	TOTAL BLDGS	INVENTORY (SF)	TOTAL VACANT (SF)	CURRENT AVAILABILITY RATE	OVERALL AVAILABILITY RATE**	CURRENT NET OVERALL ABSORPTION (SF)	YTD NET OVERALL ABSORPTION (SF)	UNDER CONSTR (SF)	YTD CONSTR COMPLETIONS (SF)	OVERALL AVERAGE ASKING RENT*
Class AAA	12	10,940,367	1,278,310	11.7%	18.9%	171,733	171,733	492,063	0	\$45.06
Class AA	11	5,957,192	897,701	15.1%	15.4%	-56,717	-56,717	0	0	\$39.05
Class A	214	31,631,351	6,811,118	21.5%	23.6%	227,490	227,490	111,000	0	\$34.51
Class B	268	19,539,923	5,167,930	26.4%	27.5%	-309,371	-309,371	0	13,406	\$27.77
Class C	101	4,194,933	843,968	20.1%	20.1%	-35,874	-35,874	0	0	\$25.79

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Key Lease Transactions Q1 2019

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
500 Centre Street SE	116,165	EnCana Corp.	Sublease	Downtown – East Core
10301 Southport Road SW	63,567	Alberta Health Services	Renew + Expansion	Southwest
520 3 rd Avenue SW	43,790	MEG Energy	Sublease	Downtown – Central Core

Key Sales Transactions Q1 2019

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
14505 Bannister Road SE	61,219	Simplex Investment / Magna IV Eng.	\$19,250,000 / \$314	Southeast
14505 Bannister Road SE	61,219	Dundee REIT / Simplex Investment	\$15,250,000 / \$249	Southeast
757 57 th Avenue NE	5,444	Private / Calnor Developments Ltd.	\$2,200,000 / \$404	Northeast
2312 Spiller Road SE	2,444	R. Edwards Pro. Corp. / Cridland Associates	\$1,385,000 / \$567	Southeast

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