

Q1 2021

Calgary

Downtown Office Market Report

Net Absorption

This Quarter	Previous Quarter
-1.32M SF	-377K SF
12-Month Absorption	3-Year Quarterly Avg.
-2.03M SF	-99K SF

Vacancy

This Quarter	Year-over-Year
31.18%	▲ 469 bps
Total Vacant Space	
13.76M SF	

Direct Vacancy

This Quarter	Previous Quarter
23.27%	22.12%

Sublease Vacancy

This Quarter	Previous Quarter
7.91%	6.08%

Market Outlook

As the first quarter of 2021 came to a close, it has been one year since the beginning of the COVID-19 pandemic with the ripple affect of multi-tiered economic fallout continuing to effect Calgary's Downtown office market. Total negative absorption for the quarter settled at just over 1.3 million square feet, representing the largest single-quarter contraction on record. With overall vacancy rising to 31.18% this quarter, higher quality AA product remained relatively stable in Q1 with direct vacancy of only 7.37%. Class A office space was the largest single contributor to this quarter's market contraction, with over 850k square feet of space returning to market, primarily a result of the Cenovus/Husky merger. B and C class buildings continued to struggle with direct vacancy rates increasing to 45% and 40% respectively.

Transaction velocity in Q1 was relatively slow for the first half of the quarter as many groups continued to work from home following the holiday season. While momentum increased in the middle of the quarter, this was largely comprised of smaller groups with immediate needs, most of which required similar or smaller footprints than they currently occupied. Many of the completed lease transactions were in the form of shorter-term deals as groups focused on getting through the next 12-18 months before making long-term decisions on the future of their office space. With many staff members still working from home or on flexible work schedules, many businesses struggle to determine what their long-term office requirements will look like.

M&A activity within the energy sector continued to shape the Downtown office market as more sublease space has come to market. This was particularly evident

this quarter with the fallout of Cenovus' acquisition of Husky resulting in half of Q1's total market contraction, as the entire north tower of Western Canadian Place was added to sublease inventory. Another factor in this contraction was the amalgamation of NAL Resources and TORC Resources into Whitecap Resources, resulting in three companies totaling ~200,000 sf into one company requiring approximately half the office space.

Despite the continued consolidation in the energy sector, Calgary's economy continues to diversify as the result of other industries moving to the city. In 2020 Alberta posted a record year for venture capital investment in tech firms, with twice as many deals being signed than the year before for a total of \$455 million in financing. Homegrown tech companies, such as Symend, Neo Financial, Attabotics, and Veerum are reaping the benefits of a significant human capital investment through programs offered by U of C, Platform Innovations, SAIT and NAIT in order to grow Calgary's talent pool in these industries. Indian tech giant, Infosys, recently announced they will be expanding into Calgary's office market, as they have in four other Canadian cities, bringing 500 new jobs to Calgary in an effort to double their overall Canadian presence by 2023. Additionally, Vancouver based mCloud Technologies announced this quarter they will be relocating their headquarters to Calgary with plans to double their staff count over the next two years. Expansions by organizations like Infosys and mCloud into Calgary is a sign of optimism as the city continues to experience growth from a diverse group of industries looking to capitalize on a well-educated workforce and a favorable environment to grow their businesses.

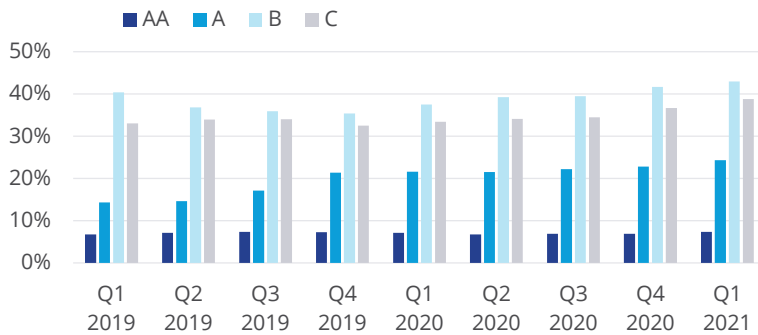
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Market Overview

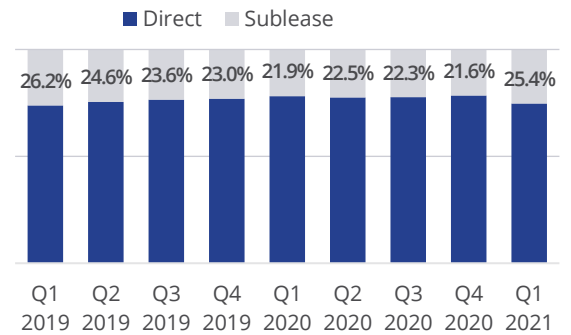
01 Downtown Direct Vacancy

% of Total Vacancy | Q1 2019 - Q1 2021



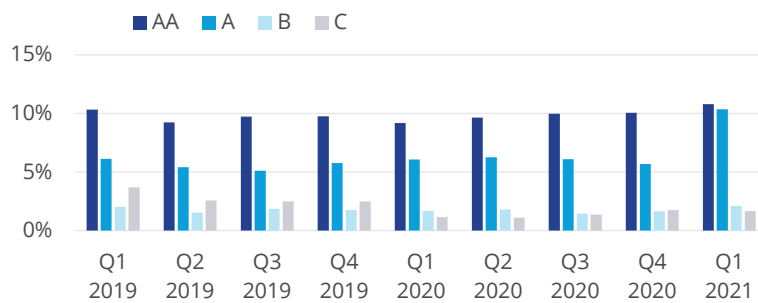
02 Downtown Vacancy

% of Total Vacancy | Q1 2019 - Q1 2021



03 Downtown Sublease Vacancy

% of Total Vacancy | Q1 2019 - Q1 2021



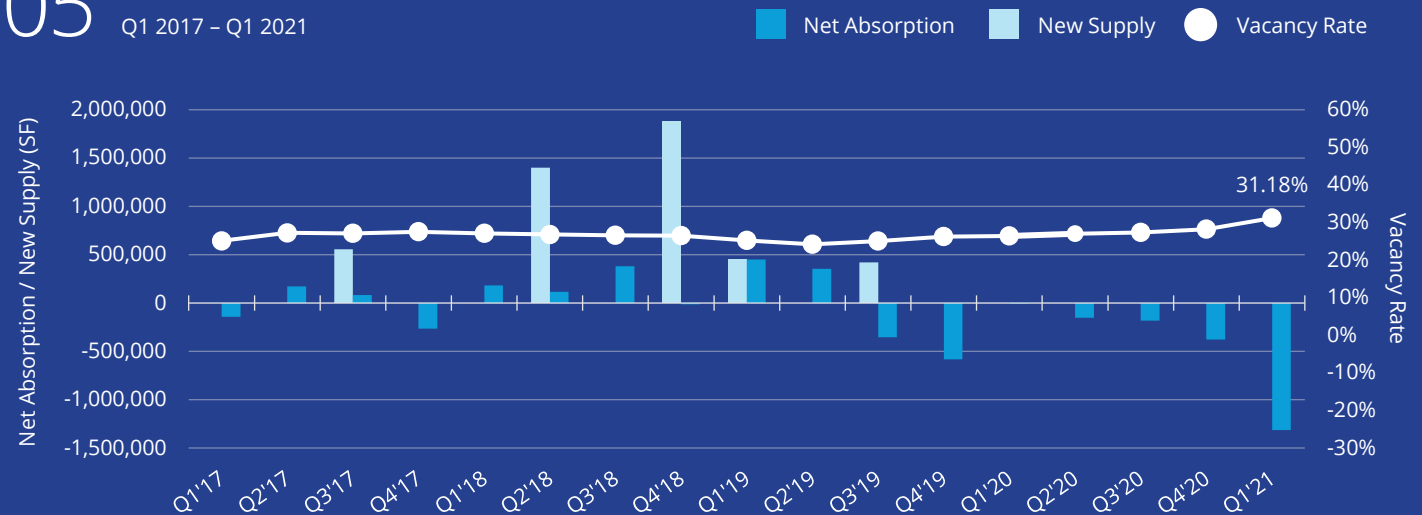
04 Downtown Vacancy Rate

By Class | Q1 2020 - Q1 2021

Class AA	18.16%	▲	from 16.32% Q1'20
Class A	34.70%	▲	from 27.69% Q1'20
Class B	45.09%	▲	from 39.18% Q1'20
Class C	40.47%	▲	from 34.58% Q1'20
Total	31.38%	▲	from 26.49% Q1'20

05 Downtown Historical Overview

Q1 2017 - Q1 2021



Market Statistics & Transaction Highlights

Class	AA	A	B	C	Overall
No. of Buildings	21	34	38	70	163
Total Vacant Space					
Current Quarter	2,986,450 SF	4,869,259 SF	3,698,076 SF	2,206,411 SF	13,760,196 SF
Previous Quarter	2,788,276 SF	4,007,567 SF	3,553,954 SF	2,094,919 SF	12,444,716 SF
Vacancy Rate					
Current Quarter	18.16%	34.70%	45.09%	40.47%	31.18%
Previous Quarter	16.96%	28.56%	43.33%	38.42%	28.20%
Direct Vacancy					
Current Quarter	7.37%	24.35%	42.98%	38.79%	23.27%
Previous Quarter	6.90%	22.87%	41.68%	36.68%	22.12%
Sublease Vacancy					
Current Quarter	10.79%	10.35%	2.11%	1.68%	7.91%
Previous Quarter	10.06%	5.68%	1.66%	1.75%	6.08%
Direct Available Space					
Current Quarter	1,212,202 SF	3,417,237 SF	3,525,210 SF	2,115,053 SF	10,269,702 SF
Previous Quarter	1,134,603 SF	3,210,044 SF	3,418,168 SF	1,999,749 SF	9,762,564 SF
Sublease Available Space					
Current Quarter	1,774,248 SF	1,452,022 SF	172,866 SF	91,358 SF	3,490,494 SF
Previous Quarter	1,653,673 SF	797,523 SF	135,786 SF	95,170 SF	2,682,152 SF
Net Absorption					
Current Quarter	-198,174	-861,692	-144,122	-111,492	-1,315,480
Previous Quarter	-1,067	-30,981	-196,769	-148,482	-377,299

Notable Lease Transactions

Tenant	Building Name / Address	Market	Lease Type	Size (SF)
Olympia Financial Group	Centennial Place – East Tower, 520 3 Avenue SW	Central	Sublease	50,607
Regus	Telus Sky, 685 Centre Street SW	Central	Sublease	26,253
Whitecap Resources Inc.	Eighth Avenue Place – East Tower, 525 8 Avenue SW	Central	Sublease	24,283
True North Mortgage	Bow Valley Square II, 205 5 Avenue SW	Central	Headlease	13,981
Clearstream Energy	Bow Valley Square II, 205 5 Avenue SW	Central	Headlease	13,981
Conifer Energy	Western Canadian Place, South Tower, 525 8 Avenue SW	West	Sublease	11,150

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