Q1 2021

# Calgary

## Suburban Office Market Report

### Beltline Net Absorption

| This Quarter | 12-Month Absorption |
|---|---|
| -46K SF | -159K SF |

### Suburban Net Absorption

| This Quarter | 12-Month Absorption |
|---|---|
| -153K SF | -764K SF |

### Beltline Vacancy

| This Quarter | Year-over-Year |
|---|---|
| 25.32% | ▲ 218 bps |

| Direct Vacancy | Sublease Vacancy |
|---|---|
| 1.37M SF | 501K SF |

### Suburban Vacancy

| This Quarter | Year-over-Year |
|---|---|
| 21.50% | ▲ 408 bps |

| Direct Vacancy | Sublease Vacancy |
|---|---|
| 3.68M SF | 854K SF |

*CMN Calgary Inc.*

### Market Outlook

With Q1 2021 marking one year since the pandemic began, the Suburban office market continues to endure the effects of the resulting economic turmoil. Calgary's Suburbs experienced another significant contraction in Q1 with just under 200,000 square feet of office space returning to market. This contraction was primarily derived from three of the five Suburban submarkets, the Beltine, the North East, and the South East, while both the North West and South West remained relatively flat throughout the first quarter of the year. Though often a lagging but mirror image of Calgary's central business district in terms of overall movement, the Suburban office market vacancy is skewed inversely from its Downtown counterpart. The majority of vacant space is located in A class buildings, while B and C class remain comparatively more occupied. This can be attributed to the fact that the vast majority of this quarter's negative absorption comes from the net compression of the office footprint of large suburban occupiers who have their space within A class buildings. Several large blocks of sublease space have become available in the opening months of this year, as these larger organizations condense their office space while weathering uncertain economic times.

Leasing activity was relatively slow through the first half of Q1, with momentum picking up towards the end. The majority of transactions completed this quarter were the result of organizations downsizing as an increase in market activity did not foster overall growth. Many of the transactions that Colliers was involved in were the culmination of groups that have been actively searching since late in 2020, with new business less abundant as many remain in a holding pattern until their futures become more clear. The majority of Q1 office transactions fall into one of two categories: those that are faced with upcoming expirations and need to transact on space for their immediate future, and those that are taking an opportunistic approach hoping to capitalize on low rental rates along with greater incentives in order to create more favourable balance sheets.

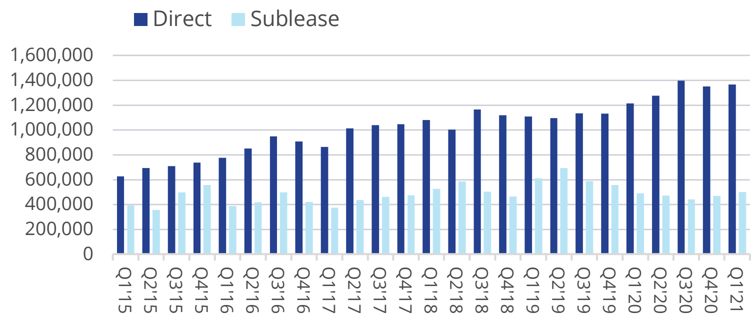
Just as the contraction from major oil and gas companies is shaping Calgary's Downtown office market, so too is happening in the Suburban market's engineering sector. Engineering firms Stantec and Jacobs brought a combined total of just over 130,000 square feet of sublease space to market in the South East. These large blocks of space in high quality office product are slowly becoming more common, which may present the enticing opportunity of a flight to quality within the Suburban market as successful vaccine distribution both in Canada and worldwide drive organizations back into the office.

Accelerating success.

# Beltline Overview

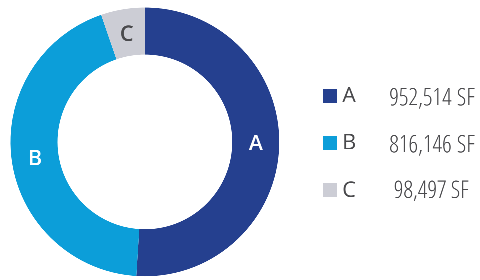
## 01 Beltline Vacant Space

By Direct and Sublease Vacant Space (SF) | 2015 - 2021



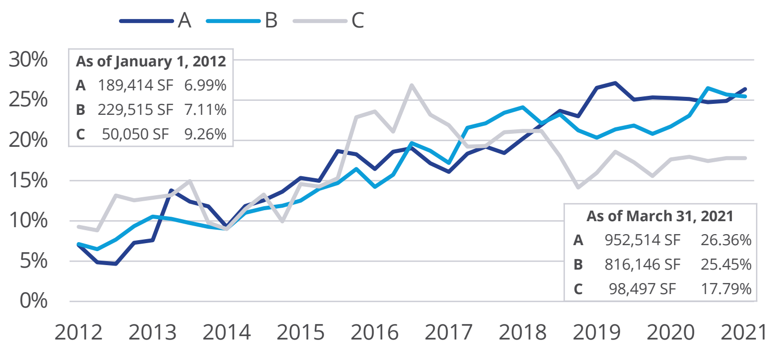

## 02 Beltline Vacancy by Class

By Square Feet (SF)



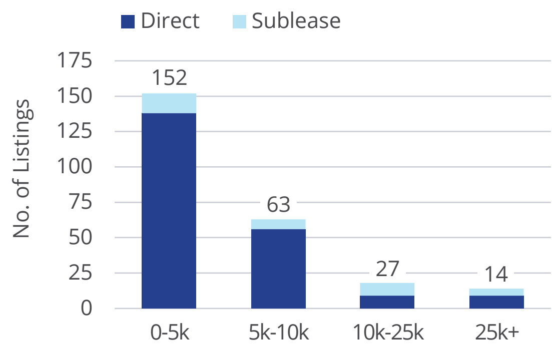

## 03 Beltline Vacancy Rate by Class

2012 - 2021



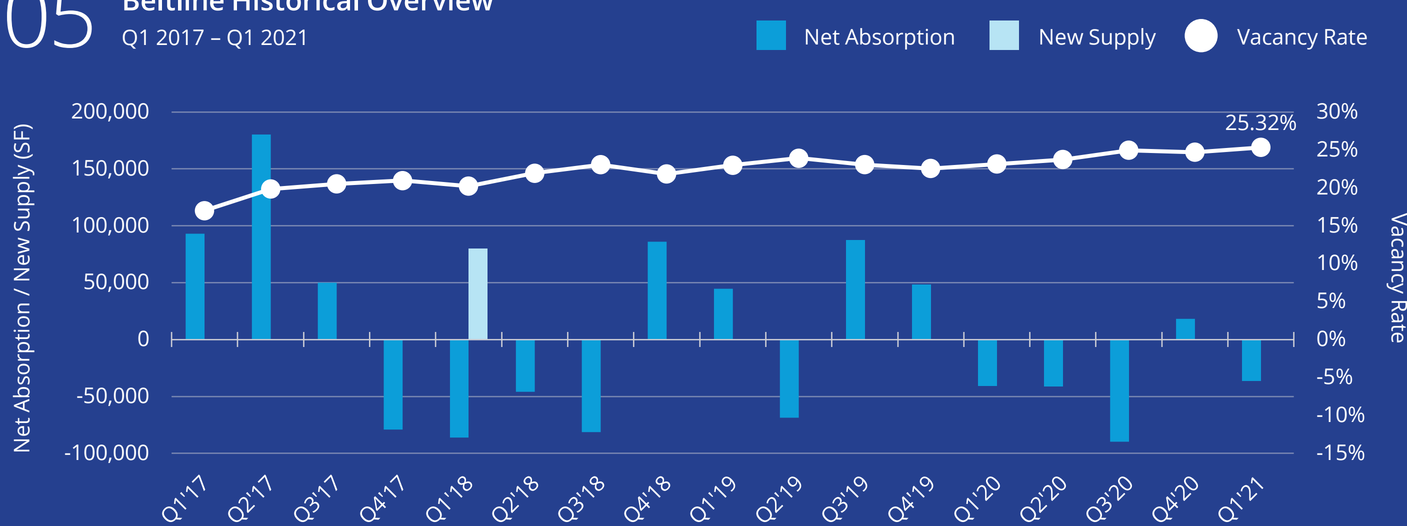

## 04 Beltline Vacant Space

By Size Range (SF)




## 05 Beltline Historical Overview

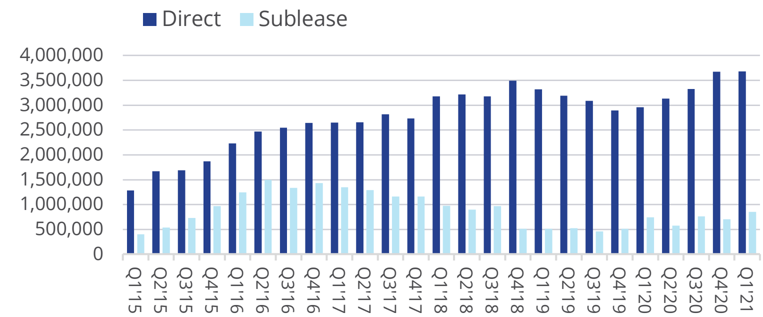
Q1 2017 – Q1 2021



# Suburban Overview

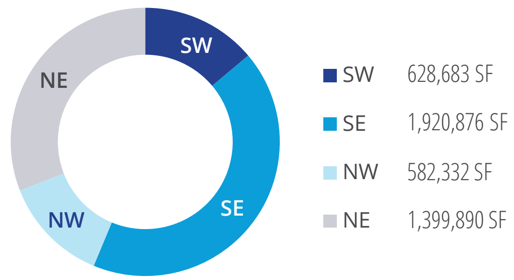
## 01 Suburban Vacant Space

By Direct and Sublease Vacant Space (SF) | 2015 - 2021




## 02 Suburban Vacancy by Market

By Square Feet (SF)

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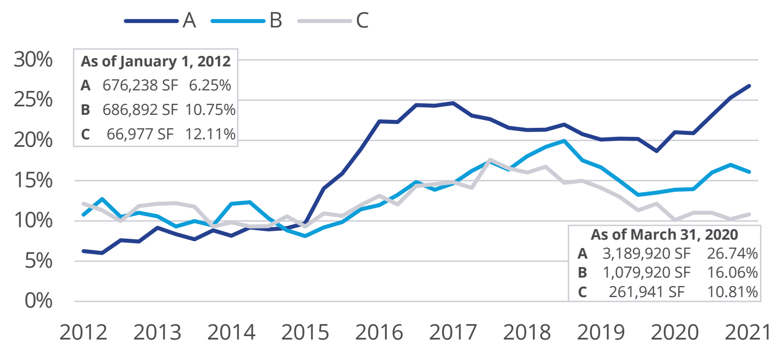
2012 - 2021

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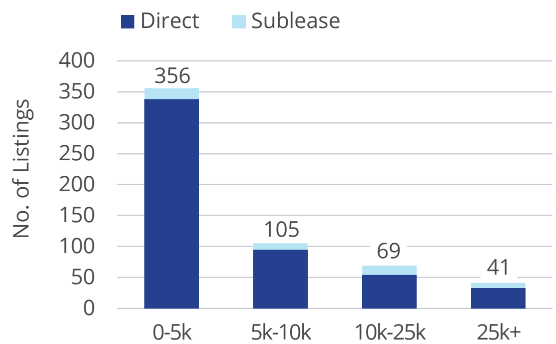
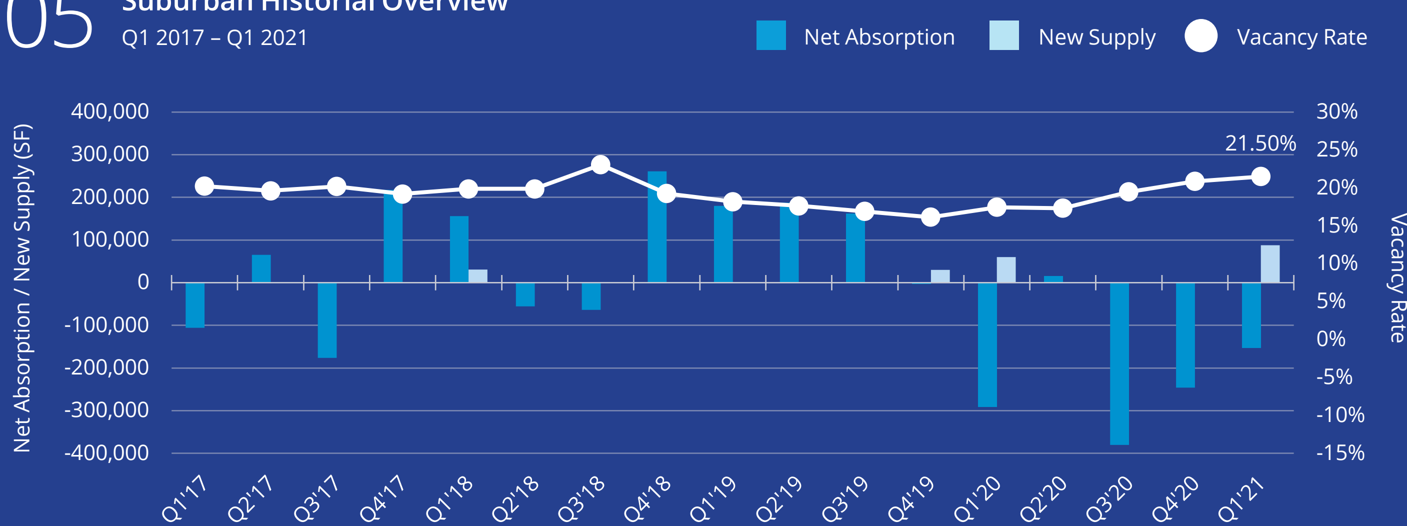
By Size Range (SF)




## 05 Suburban Historial Overview

Q1 2017 – Q1 2021



# Market Statistics & Transaction Highlights

| Market | # of Buildings | Total Inventory (SF) | Direct Vacancy (SF) | Sublease Vacancy (SF) | Total Vacancy (SF) | Vacancy Rate | Net Absorption (SF) |
|---|---|---|---|---|---|---|---|
| **South East** | | | | | | | |
| Current Quarter | 124 | 8,321,336 | 1,466,486 | 454,390 | 1,920,876 | 23.08% | -84,207 |
| Previous Quarter | 123 | 8,233,336 | 1,524,369 | 312,300 | 1,836,669 | 22.31% | -166,958 |
| **South West** | | | | | | | |
| Current Quarter | 44 | 3,265,037 | 581,896 | 46,787 | 628,683 | 19.26% | -2,129 |
| Previous Quarter | 44 | 3,265,037 | 584,526 | 42,028 | 626,554 | 19.19% | -21,294 |
| **North West** | | | | | | | |
| Current Quarter | 48 | 2,395,519 | 328,405 | 253,927 | 582,332 | 24.31% | 12,255 |
| Previous Quarter | 48 | 2,395,519 | 340,660 | 253,927 | 594,587 | 24.82% | -46,830 |
| **North East** | | | | | | | |
| Current Quarter | 107 | 7,039,680 | 1,301,159 | 98,731 | 1,399,890 | 19.73% | -78,631 |
| Previous Quarter | 107 | 7,039,680 | 1,226,375 | 94,884 | 1,321,259 | 18.63% | -10,956 |
| **Suburban Total** | | | | | | | |
| **Current Quarter** | **323** | **21,075,572** | **3,677,946** | **853,835** | **4,531,781** | **21.50%** | **-152,712** |
| **Previous Quarter** | **322** | **20,987,572** | **3,675,930** | **703,139** | **4,379,069** | **20.87%** | **-246,038** |
| **Beltline Total** | | | | | | | |
| **Current Quarter** | **105** | **7,373,653** | **1,365,810** | **501,347** | **1,867,157** | **25.32%** | **-46,174** |
| **Previous Quarter** | **105** | **7,373,653** | **1,349,849** | **471,134** | **1,820,983** | **24.70%** | **18,254** |

## Notable Lease Transactions

| Tenant | Building Name / Address | Market | Lease Type | Size (SF) |
|---|---|---|---|---|
| Centre For Newcomers | Northgate Village, 495 36 Street NE | North East | Headlease | 50,477 |
| FYi Doctors | Mission Square, 2424 4 Street SW | Beltline | Headlease | 19,038 |
| Cornerstone Engineering | Deerfoot Court, 1144 29 Avenue NE | North East | Headlease | 14,023 |
| Regus | Macleod Place II, 5940 Macleod Trail SW | South West | Headlease | 12,124 |
| Crux Analytics | 1015 - 4th, 1015 4 Street SW | Beltline | Sublease | 7,384 |

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