

Q2 2021

Calgary

Suburban Office Market Report

Beltline Net Absorption

This Quarter	12-Month Absorption
-125K SF	-303K SF

Suburban Net Absorption

This Quarter	12-Month Absorption
-52K SF	-831K SF

Beltline Vacancy

This Quarter	Year-over-Year
27.20%	▲ 347 bps
Direct Vacancy	Sublease Vacancy
1.40M SF	589K SF

Suburban Vacancy

This Quarter	Year-over-Year
21.84%	▲ 438 bps
Direct Vacancy	Sublease Vacancy
3.85M SF	757K SF

CMN Calgary Inc.

Market Outlook

Despite early signs of a return to normalcy amidst steadily rising vaccination rates and lifting of restrictions, the Suburban office market experienced a similar overall contraction in Q2 as it did in Q1 with 177,000 square feet of office space returning to market. The majority of this quarter's contraction was localized in Beltline, with that market continuing to mirror more closely to the Downtown office market than the greater Suburban area, as just over 125,000 square feet of space became available this quarter primarily through small to mid-sized tenant reorganization. Conversely to the trend of Downtown office space, roughly 80% of the total availabilities in the Beltline are derived from A class space, with B and C class remaining relatively flat. Notably in Q2 2021, The Paramount building was removed from office inventory along with its longstanding vacancy as the building is repurposed into storage space. In contrast to the Beltline, Calgary's suburbs fared relatively well in Q2 with two out of the four submarkets experiencing minor growth, and transaction volume increasing substantially in the small block segment. This growth was outweighed by the contraction in the Northwest and Southeast submarkets with the net effect resulting in roughly 50,000 square feet of space coming back to the suburban market overall.

Calgary's burgeoning tech sector remains a topic that is fostering much attention, largely because of the implications that tech growth could have on the overall tenant mix and the possible revitalization of the office market. Recent commitments from mCloud and Mphasis in Calgary adds to the growing list of tech organizations that have potential to grow significantly and become major Calgary occupiers. Though it is not yet clear where exactly in Calgary they will land or what local headcounts will be, most employees are expected to come from Calgary's diverse labour pool alongside an undetermined number of Canada-wide and international remote workers.

According to the third installment of Colliers Office Recovery report which contains responses from 156 companies across a 31 million square feet national portfolio, 58% of companies surveyed claim they will introduce some hybrid model of work upon a post-COVID return to the office. However, this is still met with moderate levels of uncertainty as 66% of employers are not yet sure about the number of days that will be required to work in the office, and 33% unsure on how this will be managed across various parts of the organization. Colliers expects those companies that do experiment with hybrid models to try varying levels of remote and in-person work, with flexible office space only projected to comprise roughly 6% of overall office space in the future as productivity and in-person business practices shifts back to corporate priorities.

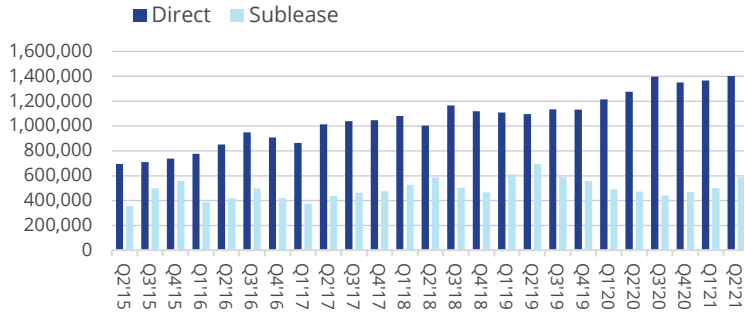
The City of Calgary's commitment to revitalize the Downtown Core, with the initial \$200 million investment being the first installment of a greater 10-year plan, is beginning to draw the interest of some suburban tenants to include Calgary's central business district in their search for office space. There is a trend with organizations-starting to focus on the intangible values a particular space may provide rather than its physical location. As such, some tenants who are currently in the market have implemented the results of their own employee engagement in their search, focusing common areas, amenities, and workplace design in order to entice employees back to the office. Some organizations are willing to forego major cost savings in place of creating environments that are able to cultivate organizational culture to entice employees back to the office and attract talent in the long term. Others aim only to lower costs and complete stop-gap type deals in the short term in order to weather the remaining uncertainty and place themselves in the most advantageous position possible coming out the other side of current economic strains. The vast majority of both has trended towards net compression of total office footprints.

Accelerating success.

Beltline Overview

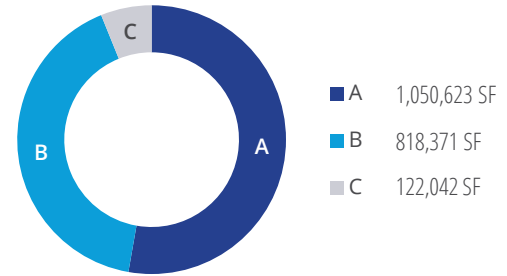
01 Beltline Vacant Space

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



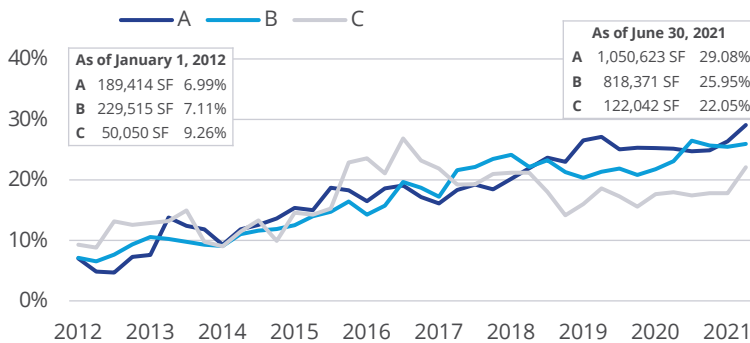
02 Beltline Vacancy by Class

By Square Feet (SF)



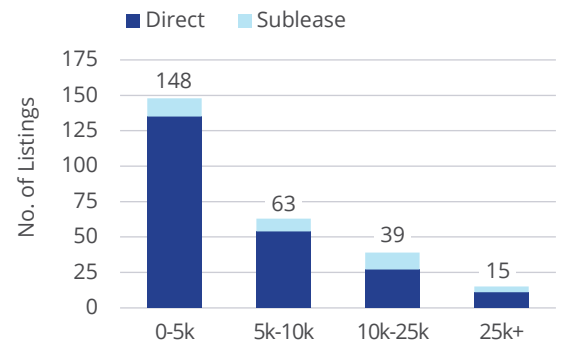
03 Beltline Vacancy Rate by Class

2012 - 2021



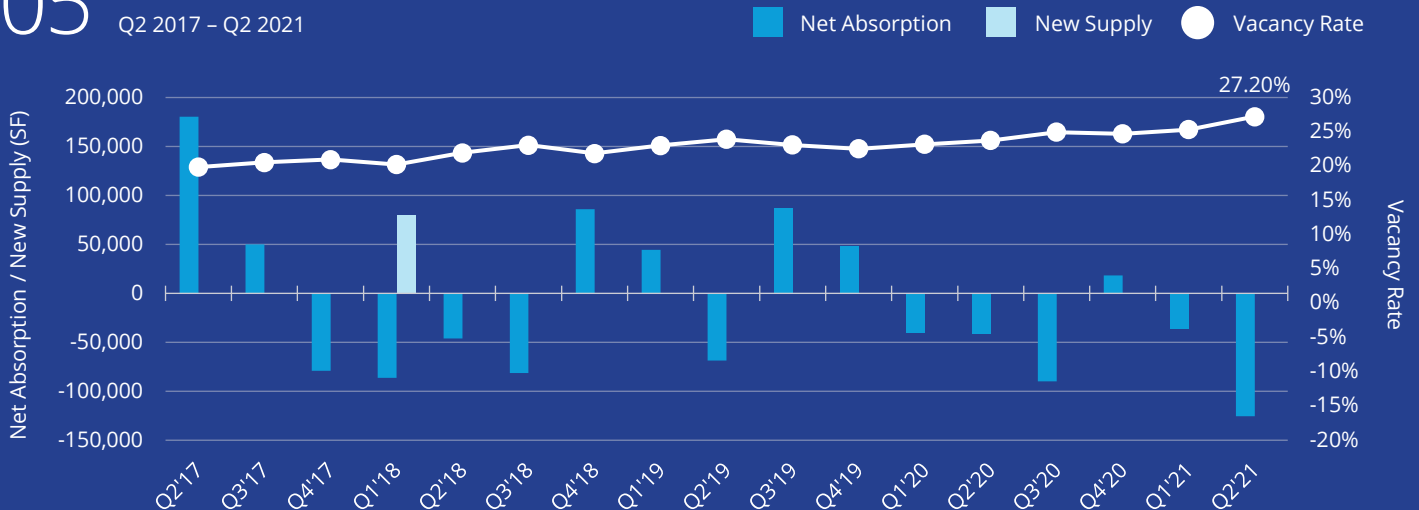
04 Beltline Vacant Space

By Size Range (SF)



05 Beltline Historical Overview

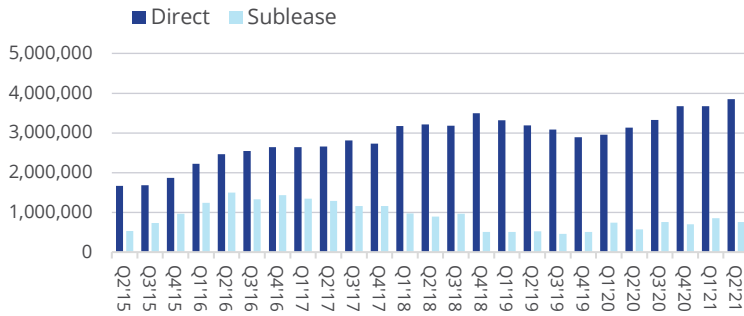
Q2 2017 - Q2 2021



Suburban Overview

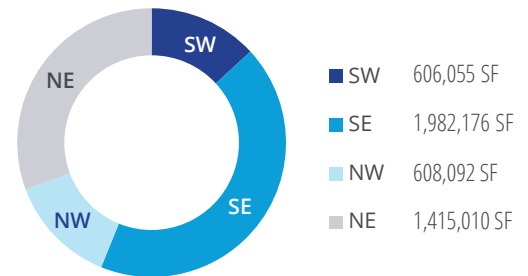
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By Direct and Sublease Vacant Space (SF) | 2015 - 2021



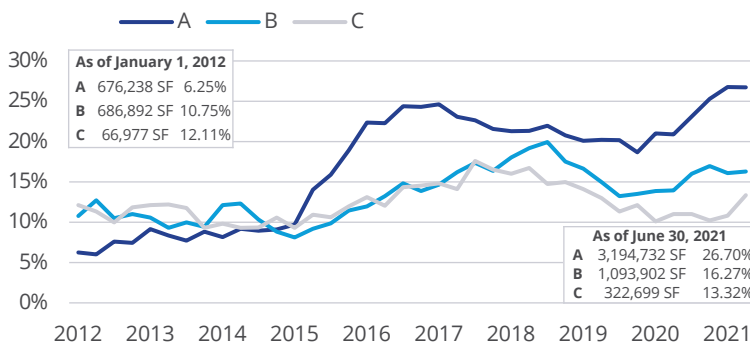
02 Suburban Vacancy by Market

By Square Feet (SF)



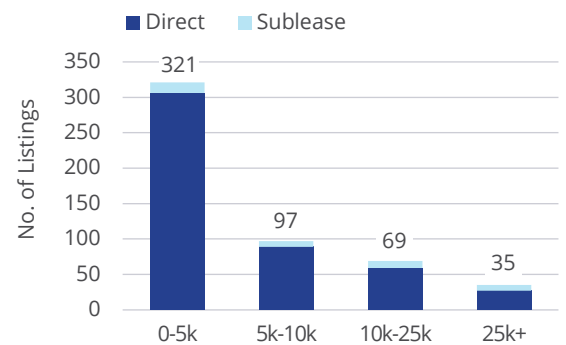
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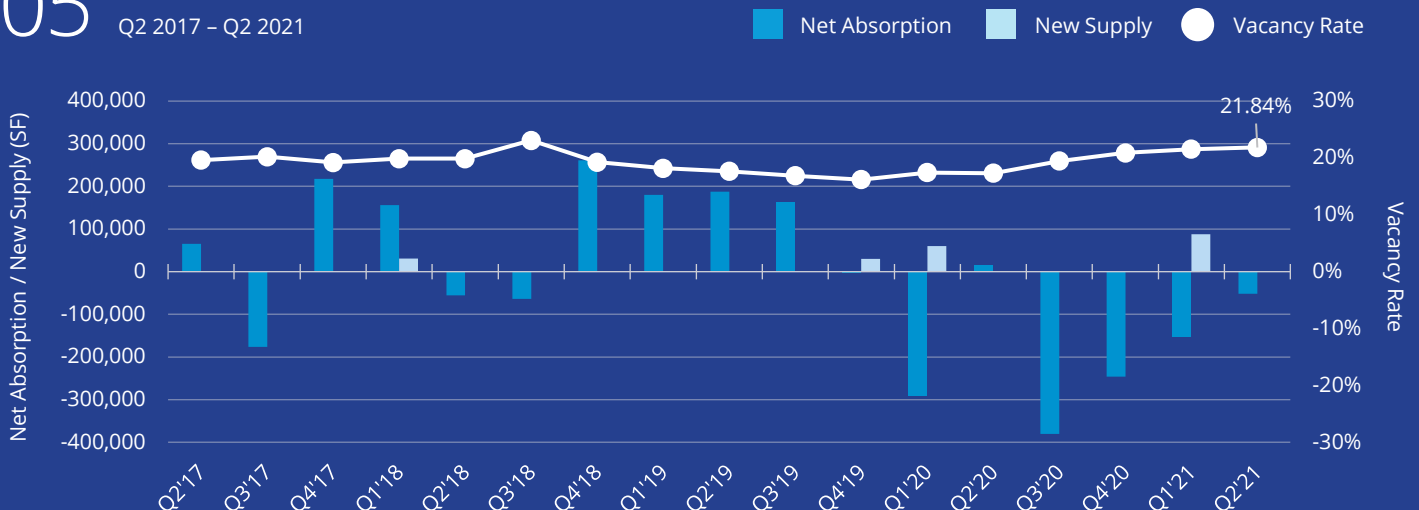
04 Suburban Vacant Space

By Size Range (SF)



05 Suburban Historical Overview

Q2 2017 - Q2 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	1,588,748	393,428	1,982,176	23.82%	-61,300
Previous Quarter	124	8,321,336	1,466,486	454,390	1,920,876	23.08%	-84,207
South West							
Current Quarter	44	3,265,037	564,540	41,515	606,055	18.56%	22,628
Previous Quarter	44	3,265,037	581,896	46,787	628,683	19.26%	-2,129
North West							
Current Quarter	48	2,434,519	350,667	257,425	608,092	24.98%	-25,760
Previous Quarter	48	2,395,519	328,405	253,927	582,332	24.31%	12,255
North East							
Current Quarter	107	7,039,680	1,350,004	65,006	1,425,010	19.95%	12,626
Previous Quarter	107	7,039,680	1,342,506	85,130	1,427,636	20.13%	-78,631
Suburban Total							
Current Quarter	323	21,114,572	3,853,959	757,374	4,611,333	21.84%	-51,806
Previous Quarter	323	21,075,572	3,719,293	840,234	4,559,527	21.63%	-152,712
Beltline Total							
Current Quarter	104	7,320,392	1,402,151	588,885	1,991,036	27.20%	-125,337
Previous Quarter	105	7,373,653	1,343,800	421,899	1,865,699	25.30%	-46,174

Notable Transactions

Occupier	Building Name / Address	Market	Transaction Type	Size (SF)
Owner-User	5055 11 Street NE	North East	Sale	68,250
Matrix Solutions	11 th Avenue Place / 214 11 Avenue SW	Beltline	Headlease	60,000
Work Nicer Coworking	Sundance Place / 23 Sunpark Drive SE	South East	Headlease	12,627
The Newly Institute	Mission Centre / 2303 4 Street SW	Beltline	Headlease	11,169
ESW IT Business Consultants	Phillips Centre – Building A / 5935 Centre Street SW	South West	Headlease	9,511
Passion Dental	Vintage Park / 885 42 Avenue SE	South East	Headlease	8,564

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