

Q1 2023

Calgary

Downtown Office Market Report

Net Absorption

This Quarter	Previous Quarter
-104K SF	285K SF
12-Month Absorption	3-Year Quarterly Avg.
-108K SF	-189K SF

Vacancy

This Quarter	Year-over-Year
30.22%	↓ 63 bps
Total Vacant Space	
13.13M SF	

Direct Vacancy

This Quarter	Previous Quarter
24.99%	24.96%

Sublease Vacancy

This Quarter	Previous Quarter
5.23%	5.84%

CMN Calgary Inc.

Market Outlook

The beginning of 2023 saw a steady flow of activity in the Downtown office market, and though Q1 2023 resulted in net negative absorption of approximately 100,000 square feet, confidence in the market remains high. The Class AA market experienced 36,000 square feet of negative absorption which can be primarily attributed to several full floor availabilities coming to market in Q1. The most significant shift in the Class AA market did not come by way of absorption, but rather a change in the composition of the vacancy as Devon Canada's sublease vacancy located in Devon Tower comprising ~260,000 square was converted to headlease vacancy. Class A office space demonstrated strong leasing activity in Q1 with over 160,000 square feet of positive absorption, which is largely a result of several significant lease transactions taking place during this quarter. The growth in occupancy in the Class A market demonstrates the continued desire for quality office space, particularly those buildings located in Calgary's central core. The Class B market remained relatively flat, with most of the remaining impact on overall vacancy coming from Class C this quarter. The list of buildings earmarked for residential conversion has grown and as these buildings are removed from inventory, overall vacancy rates have decreased quarter-over-quarter.

Phase 1 of the City of Calgary's Downtown Development Incentive Program which has focused on office to residential conversions has now allocated the majority of that initial funding and is looking onwards to phase 2 of the program. This second phase is slated to augment the incentive for residential conversions, providing further incentive for conversion to both educational and performing arts uses, as well as demolition for buildings deemed to be at the end of their useful lives. These uses aim to create public green spaces to increase vibrancy in the core, or more viable sites for future developments. The City of Calgary's goal is to eliminate six million square feet of office space from downtown Calgary by 2031. To date,

there have been five downtown office buildings comprising ~788,000 square feet that have been announced and removed from inventory, with another six buildings comprising ~580,000 square feet approved and soon to be announced. Finally, there are three buildings comprising an additional ~580,000 square feet that are currently in the approval phase of the program.

Full scale asset conversion is not the only significant redevelopment that is underway in the Downtown office market. With the leasing success that has followed several major building upgrades over the past several years such as the repositioning of The Ampersand, The Edison, Stephen Avenue Place and First Tower, more landlords have also begun the process of investing in building improvements to increase their allure to prospective tenants. Building upgrades focusing on tenant amenities such as fitness facilities, tenant lounges, conference centres, and common area upgrades are expected to take place over the next 6-24 months in buildings such as Suncor Energy Centre, Gulf Canada Square, Watermark Tower, and Fifth Avenue Place. Amenity-focused buildings align with the current landscape where organizations aim to provide value to current and prospective employees by using their physical office space as a selling feature to attract and retain top talent in a competitive job market.

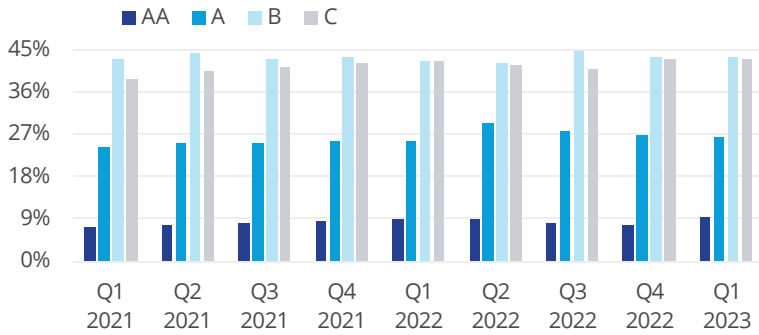
Office occupancy levels remain strong in downtown Calgary sitting around 70% and can be seen through the significant increase in vehicle traffic and +15 pedestrian traffic in the core. Calgary-based employers continue to be on the leading edge of mandated return to office policies, with many still involving a hybrid model and Tuesday through Thursday being the most common days for mandated in-person work. Despite some markers of a potential economic downturn across the country, business confidence in Calgary and the downtown office market remain high to start 2023.

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Market Overview

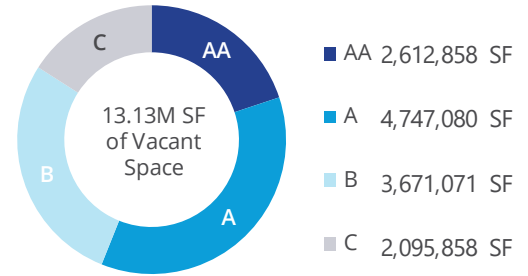
01 Downtown Direct Vacancy

% of Total Vacancy | Q1 2021 - Q1 2023



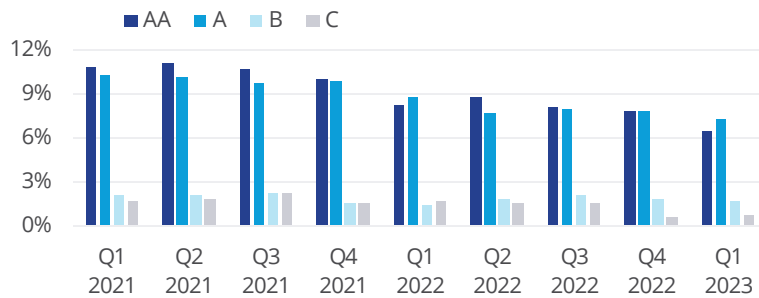
02 Vacancy Composition

By Building Class | Square Feet (SF)



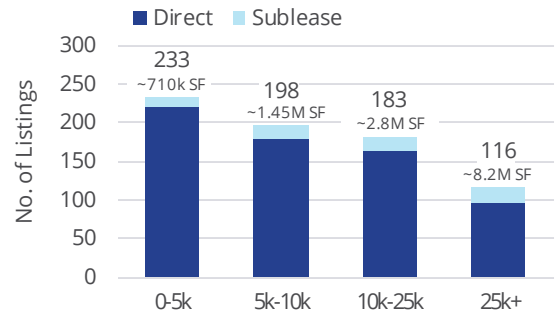
03 Downtown Sublease Vacancy

% of Total Vacancy | Q1 2021 - Q1 2023



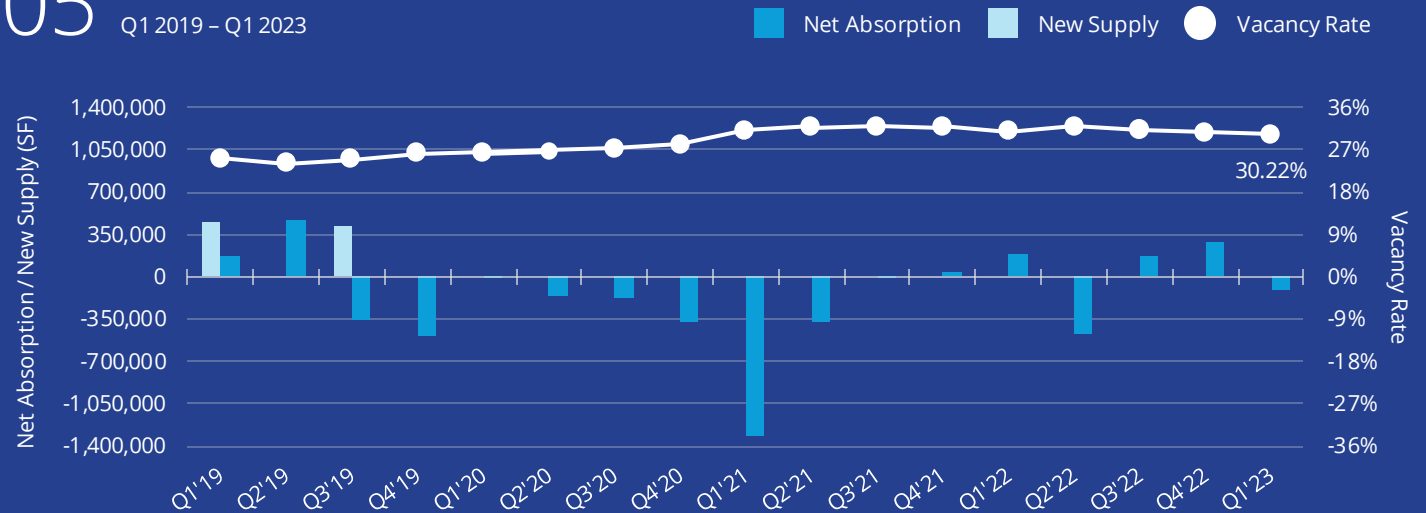
04 Downtown Vacant Space

By Size Range



05 Downtown Historical Overview

Q1 2019 - Q1 2023



Market Statistics & Transaction Highlights

Class	AA	A	B	C	Overall
No. of Buildings	21	34	38	62	155
Total Vacant Space					
Current Quarter (SF)	2,612,858	4,747,080	3,671,071	2,095,858	13,126,867
Previous Quarter (SF)	2,576,858	4,911,655	3,756,476	2,295,690	13,540,679
Vacancy Rate					
Current Quarter	15.89%	33.67%	45.26%	43.79%	30.22%
Previous Quarter	15.67%	34.84%	45.88%	43.90%	30.80%
Direct Vacancy					
Current Quarter	9.37%	26.34%	43.61%	43.09%	24.99%
Previous Quarter	7.85%	27.06%	44.05%	43.24%	24.96%
Sublease Vacancy					
Current Quarter	6.52%	7.33%	1.65%	0.70%	5.23%
Previous Quarter	7.82%	7.78%	1.83%	0.66%	5.84%
Direct Available Space					
Current Quarter (SF)	1,540,867	3,713,638	3,537,502	2,062,562	10,854,569
Previous Quarter (SF)	1,290,632	3,814,763	3,606,813	2,261,273	10,973,481
Sublease Available Space					
Current Quarter (SF)	1,071,991	1,033,442	133,569	33,296	2,272,298
Previous Quarter (SF)	1,286,226	1,096,892	149,663	34,417	2,567,198
Net Absorption					
Current Quarter (SF)	-36,000	164,575	9,962	-242,973	-104,436
Previous Quarter (SF)	107,522	127,308	118,957	-68,622	285,165

Notable Lease Transactions

Tenant	Building Name / Address	Market	Transaction Type	Size (SF)
Alberta Electric System Operator	240Fourth 240 4 Avenue SW	Central	Headlease	90,201
Schlumberger Canada Ltd.	444 5 th 444 5 Avenue SW	Central	Headlease	75,884
McLennan Ross LLP	Eau Claire Tower 600 3 Avenue SW	West	Sublease	55,583
*Hatch Ltd.	Western Canadian Place – North Tower 707 8 Avenue SW	West	Sublease	52,645
*Ember Resources Inc.	400Third 400 3 Avenue SW	Central	Headlease	42,228
Perpetual Energy	Fifth & Fifth 605 5 th Avenue SW	Central	Headlease	30,569

* Colliers involved in transaction

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