

CALGARY OFFICE

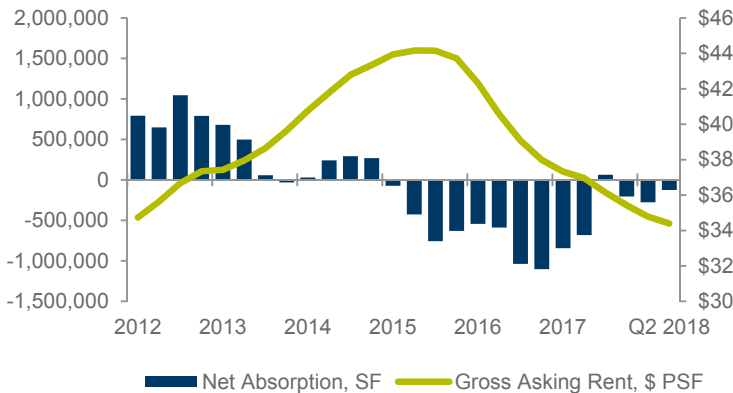
Economic Indicators

	Q2 17	Q2 18	12-Month Forecast
Calgary Employment	828K	841K	■
Calgary Unemployment	9.3%	7.7%	■
Canada Unemployment	6.6%	5.8%	■

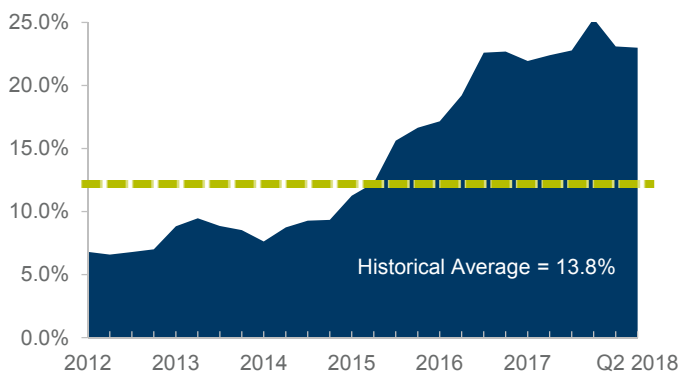
Market Indicators

	Q2 17	Q2 18	12-Month Forecast
Overall Availability	21.9%	21.8%	▲
Net Absorption (sf)	-409,853	196,148	▼
Under Construction (sf)	2,112,788	711,813	▼
Average Asking Rent	\$36.13	\$34.57	■

Overall Net Absorption/Overall Asking Rent 4Q TRAILING AVERAGE



Overall Availability**



Economy

Alberta's employment sector has continued to improve as the unemployment rate declined to 7.1% in May 2018. Calgary's unemployment rate declined to 7.7%, but continues to lag Edmonton which sits at 6.5% and the Canadian unemployment rate of 5.8%. The economy has begun to recover from the 2015/2016 recession and continues to celebrate small gains. The drilling rig count has strengthened since the seasonal spring break-up drilling shut down in April/May to 160 rigs (170 at this time last year). The count, however, is not expected to improve drastically over last year's second half average of 206 rigs.

Market Overview

The Class A/AAA segment had another strong quarter in terms of leasing activity with 893,000 square feet (sf), bringing the year-to-date total to 1.9 million square feet (msf). For the overall Calgary market, leasing activity was 1.3 msf in the second quarter, mirroring last quarter's totals. Overall absorption figures on the other hand gained momentum over last quarter, improving to 196,000 sf in the second quarter of 2018, following the negative 151,000 sf reported last quarter.

The East Core downtown submarket struggled this quarter, posting overall negative absorption of 148,000 sf. This was largely driven by Obsidian Energy releasing approximately 150,000 sf of space in the Penn West Plaza. In addition, AB Utilities relocated out of 45,000 sf in Fifth Avenue Place (Class A) and moved into 55,000 sf in the Central-Core Eau Claire Tower (Class AAA).

The "flight to quality" trend continues but appears to be slowing as the Class B segment was the most significant driver of overall absorption in the second quarter with 126,000 sf; a dramatic improvement from the negative 220,000 reported in the first quarter of 2018. The Class B segments saw strengthened demand this quarter in the West Core submarket. Tenants are likely taking advantage of the fact that the average gross rent in this market has declined by approximately 11% year-over-year.

Overall vacancy did improve slightly in the second quarter of 2018, declining by 20 basis points to reach 21.8%. The Class A/AAA market improved by 10 basis points from last quarter to now sit at 21.2%, while vacancy in the Class B market declined by 70 basis points from last quarter to reach 23.6%. Finally Class C vacancy declined by 60 basis points to sit at 20.1%.

Outlook

Approximately 900,000 sf of available sublet space will revert back to the landlord during the remainder of 2018. Although economic growth will still rest largely on the forces shaping the price of oil, market indicators show that the worst may be over. As a result, Cushman & Wakefield research expects a modest performance by the market through the remainder of 2018, with gradual reductions in vacancy.

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

MARKETBEAT

Calgary, AB

Office Q2 2018



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	72	20,310,787	4,105,754	20.2%	21.6%	212,939	419,815	0	\$35.36	\$37.65
East Core	45	15,601,506	4,342,039	27.8%	28.4%	-148,180	-378,443	442,052	\$38.08	\$39.22
West Core	55	8,173,885	2,088,227	25.5%	29.1%	152,070	18,668	0	\$26.64	\$27.02
Downtown Total	172	44,086,178	10,536,020	23.9%	25.4%	216,829	60,040	442,052	\$34.99	\$37.63
Beltline	108	7,740,736	1,568,183	20.3%	20.8%	-49,684	-158,881	0	\$33.60	\$35.24
Central Total	280	51,826,914	12,104,203	23.4%	24.7%	167,145	-98,841	442,052	\$34.90	\$37.51
Northwest	54	2,458,008	390,765	15.9%	15.9%	-7,298	51,741	106,406	\$36.62	\$38.78
Northeast	117	7,370,584	985,747	13.4%	14.7%	37,480	17,735	72,000	\$28.69	\$34.37
Southeast	114	7,825,227	1,725,296	22.0%	23.0%	39,882	119,739	91,355	\$31.14	\$32.07
Southwest	50	3,539,300	684,053	19.3%	19.8%	-41,061	-45,418		\$32.52	\$33.36
Suburban Total	164	21,193,119	3,785,861	17.9%	18.8%	29,003	143,797	269,761	\$31.42	\$33.57
CALGARY TOTALS	615	73,020,033	15,890,064	21.8%	23.0%	196,148	44,956	711,813	\$34.57	\$37.18

*Rental rates reflect gross asking \$psf/year

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

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	20	16,074,325	3,009,459	18.7%	19.2%	60,236	67,976	442,052	0	\$41.30
Class A	222	34,180,418	7,656,361	22.4%	23.5%	-16,014	12,436	269,761	0	\$34.60
Class B	267	18,477,872	4,360,538	23.6%	25.8%	126,484	-93,858	0	0	\$28.07
Class C	106	4,287,418	863,706	20.1%	20.7%	25,442	58,402	0	0	\$26.12

*Rental rates reflect gross asking \$psf/year

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Key Lease Transactions Q2 2018

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
Scotia Bank Western Service Centre	67,511	Connect First Credit Union	Headlease	Northeast
Gulf Canada Square	48,401	EPFC Corp	Sublease	Downtown – Central Core
Gulf Canada Square	35,401	To Be Confirmed	Sublease	Downtown – Central Core
Fifth Avenue Place West	24,271	Dreco Energy Services Ltd	Headlease	Downtown – East Core
Livingston Place South Tower	22,666	To Be Confirmed	Sublease	Downtown – East Core

Key Sales Transactions Q2 2018

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
First Tower	726,529	Dream + H&R REIT / Hines	\$107,000,000 / \$147	Downtown – East Core
Scotia Centre	627,398	Cominar REIT / Slate Asset Management	\$95,121,000 / \$152	Downtown – East Core

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