

## CALGARY OFFICE

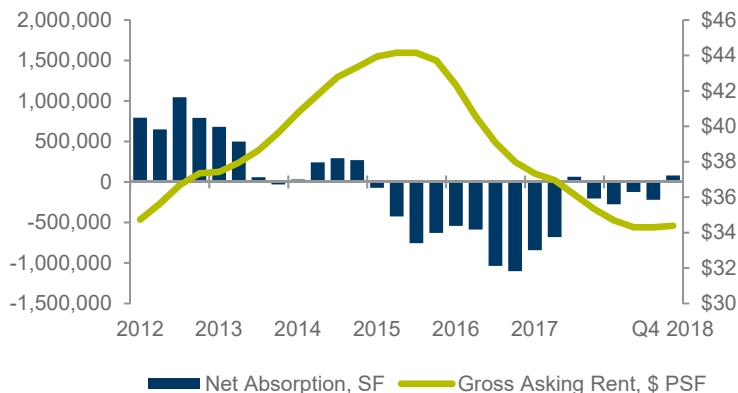
### Economic Indicators

	Q4 17	Q4 18	12-Month Forecast
Calgary Employment	827K	842K	▲
Calgary Unemployment	7.8%	7.9%	▲
Canada Unemployment	5.7%	5.6%	▲

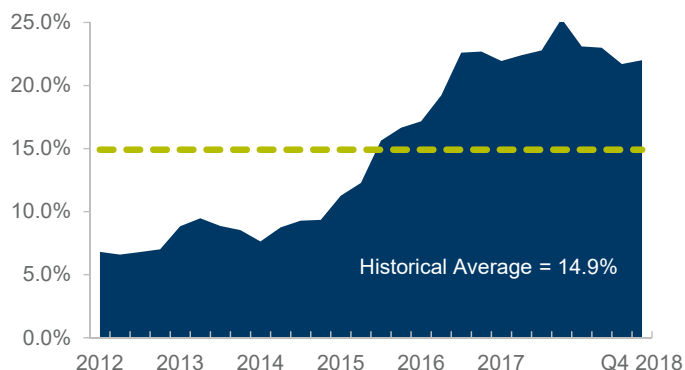
### Market Indicators

	Q4 17	Q4 18	12-Month Forecast
Overall Availability	22.1%	20.7%	▲
Net Absorption (sf)	-940,895	256,959	▼
Under Construction (sf)	683,817	656,918	▼
Average Asking Rent	\$34.22	\$34.56	▲

### Overall Net Absorption/Overall Asking Rent 4Q TRAILING AVERAGE



### Overall Availability\*\*



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

## Economy

2018 was a challenging year economically for Calgary, as the price differential between Western Canadian Select and West Texas Intermediate widened to as much as \$50.00 U.S. a barrel. One key reason for this was the lack of pipeline to get new oil to new markets. While the provincially mandated production cuts put in place in early December helped narrow the pricing differential, international oil prices fell significantly in late 2018, eliminating much of the resulting gains. Real GDP was 2.5% in 2018 but fell to an estimated 0.9% annualized over the final quarter of the year. Real GDP is expected to reach a modest 1.8% in 2019. December brought a welcome announcement by Ottawa that will see \$1.6 Billion invested into the energy sector through Export Development Canada (Oxford Economics).

## Market Overview

The “flight to quality” continued in the fourth quarter 2018 as Class AAA/A accounted for 82% of total leasing activity and 85% of all Downtown leasing. Downtown leasing was 1.2 million square feet (msf), the highest for a quarter since the fourth quarter of 2011 which was reported at 1.4 msf. Overall absorption was 257,000 square feet (sf), driven by demand in the Downtown Central and East Core submarkets. Nexen’s move from the West Core to East Core, under a new sublease, resulted in negative 597,000 sf of absorption and positive 290,000 sf of absorption in these respective markets. East Core Class AAA absorption was further strengthened by 146,000 sf of subleases in Livingston Place and a 21,000-sf direct lease in Brookfield Place. In the fourth quarter overall vacancy made its first substantial move in 2018, falling 100 basis points over last quarter to sit at 20.7%, the lowest vacancy has been since the second quarter of 2016. The direct vacancy rate, however, increased 30 basis points over the same period to reach 15.3%, continuing its climb from a low of 3.9% in the fourth quarter of 2012. The Downtown Class B market had the highest overall and direct vacancy rates in the quarter at 34.7% and 31.7%, respectively.

## Outlook

International oil prices have dipped in recent months, and WTI is projected to average \$53.40 in 2019 before rising moderately in 2020. While difficult to predict, oil price differentials between WTI and Western Canadian Select are expected to normalize. While the court decision on the Keystone XL pipeline is expected in February 2019, construction would not begin until the latter half of 2019.

Tenant activity should remain at or near current levels as tenants take advantage of competitive pricing and high availability of premium quality product. Asset owners are expected to heavily invest in existing product in order to compete for available tenants in a voraciously competitive market. Modest leasing activity and a gradual reduction in premium quality CBD availability is anticipated.

MARKETBEAT

# Calgary, AB

Office Q4 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	3,828,032	18.8%	19.2%	122,499	697,537	0	\$34.59	\$36.95
East Core	45	15,601,506	3,814,323	24.4%	26.7%	442,697	149,273	492,063	\$39.33	\$40.58
West Core	54	7,576,780	2,267,689	29.9%	33.0%	-549,259	-757,899	0	\$27.23	\$27.59
<b>Downtown Total</b>	<b>171</b>	<b>43,489,073</b>	<b>9,910,044</b>	<b>22.8%</b>	<b>24.3%</b>	<b>15,937</b>	<b>88,911</b>	<b>492,063</b>	<b>\$35.00</b>	<b>\$37.93</b>
Beltline	108	7,740,736	1,517,900	19.6%	19.5%	-27,148	-108,598	60,000	\$32.96	\$36.12
<b>Central Total</b>	<b>279</b>	<b>51,229,809</b>	<b>11,427,944</b>	<b>22.3%</b>	<b>23.6%</b>	<b>-11,211</b>	<b>-19,687</b>	<b>552,063</b>	<b>\$34.88</b>	<b>\$37.85</b>
Northwest	54	2,458,008	251,656	10.2%	12.2%	146,368	190,850	0	\$38.30	\$40.69
Northeast	117	7,370,584	1,015,575	13.8%	15.4%	-2,408	-12,093	72,000	\$28.75	\$34.05
Southeast	114	7,825,227	1,669,154	21.3%	22.6%	103,324	175,881	32,855	\$31.95	\$33.43
Southwest	50	3,539,300	655,770	18.5%	19.5%	20,886	-17,135	0	\$32.53	\$33.33
<b>Suburban Total</b>	<b>164</b>	<b>21,193,119</b>	<b>3,592,155</b>	<b>16.9%</b>	<b>18.3%</b>	<b>268,170</b>	<b>337,503</b>	<b>104,855</b>	<b>\$31.83</b>	<b>\$33.93</b>
<b>CALGARY TOTALS</b>	<b>614</b>	<b>72,422,928</b>	<b>15,020,099</b>	<b>20.7%</b>	<b>22.0%</b>	<b>256,959</b>	<b>317,816</b>	<b>656,918</b>	<b>\$34.56</b>	<b>\$37.47</b>

\*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	2,400,182	14.9%	16.7%	480,884	677,253	492,063	0	\$42.75
Class A	221	33,583,313	7,399,032	22.0%	23.0%	-270,422	-327,340	164,855	0	\$34.82
Class B	267	18,477,872	4,412,791	23.9%	25.7%	41,153	-146,111	0	0	\$28.20
Class C	106	4,287,418	808,094	18.8%	19.3%	5,344	114,014	0	0	\$25.81

\*Rental rates reflect gross asking \$psf/year

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## Key Lease Transactions Q4 2018

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
500 Centre Street SE	290,028	Nexen	Sublease	Downtown – East Core
205 Quarry Park Boulevard SE	235,000	Canadian Tire	Headlease	Southeast
140 Quarry Park Boulevard SE	68,073	Tetra Tech	Headlease	Southeast
525 8 <sup>th</sup> Avenue SW	24,283	TBC	Sublease	Downtown – Central Core

## Key Sales Transactions Q4 2018

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
Sun Life Plaza	1,020,653	CREIT / Aspen	\$255,000,000 / \$250	Downtown – East Core
IBM Corporate Park	358,426	Dream / Spear Street	\$98,000,000 / \$273	Beltline
Life Plaza	236,710	Dream / Slate	\$30,600,000 / \$129	Downtown – West Core
Rocky Mountain Plaza	205,256	Dream / Private	\$39,000,000 / \$190	Downtown – East Core

Cushman & Wakefield  
111 – 5<sup>th</sup> Avenue SW,  
Suite 1730  
Calgary, AB T2P 3Y6  
[www.cushmanwakefield.com](http://www.cushmanwakefield.com)

For more information, contact:  
Ian Thies, CFA  
Senior Research Analyst  
Tel: +1 403 261 1111  
[ian.thies@cushwake.com](mailto:ian.thies@cushwake.com)

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