

Calgary's First Quarter Downtown Office Landscape

Market Analysis **Calgary • Q1 2024**

Overall

79.8% OCCUPANCY RATE
(Total leased space)

20.2% VACANCY RATE
(Space marketed for headlease only)

25.3% AVAILABILITY
(Total amount of space available for headlease/sublease/sub-sublease/office-share, etc.)

Within-class

CLASS AA **92.6%** OCCUPANCY
7.4% VACANCY
14.7% AVAILABILITY

CLASS A **79.9%** OCCUPANCY
20.1% VACANCY
25.5% AVAILABILITY

CLASS B **64.5%** OCCUPANCY
35.5% VACANCY
37.9% AVAILABILITY

CLASS C **74.2%** OCCUPANCY
25.8% VACANCY
26.1% AVAILABILITY

SIGNIFICANT MOVES, ANNOUNCEMENT AND NOTABLE TRANSACTIONS:



South Bow Corp. took approximately 87,000 square feet in 707 Fifth.



National Bank of Canada took approximately 44,000 square feet in Banker's Court.

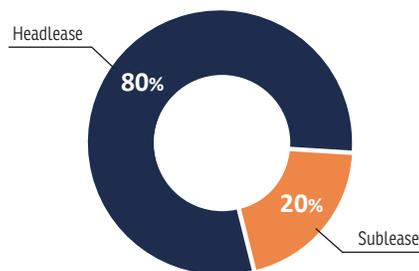


Enerplus took approximately 29,000 square feet in Dome Tower.

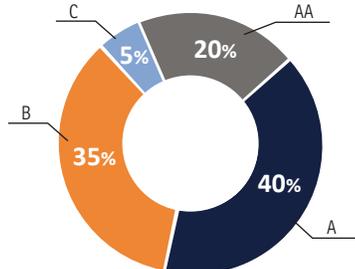
Calgary's Downtown office market is indeed getting healthier. Overall availability – and particularly the vacant component – of Downtown office space posted another quarter-over-quarter decrease as we moved into 2024. Just under 211,000 square feet of space was taken, which includes South Bow Corporation taking approximately 87,000 square feet of space in 707 5th and National Bank of Canada taking approximately 44,000 square feet of space in Banker's Court. As of March 31st, there were just under 1,077 spaces throughout the Downtown being marketed for immediate occupancy. The last time there were this few listings was the 4th quarter of 2017 when, coincidentally, Downtown inventory was similar to present as it was prior to the completion of TELUS Sky.

While the positive absorption numbers are welcome, they're quite small and we view

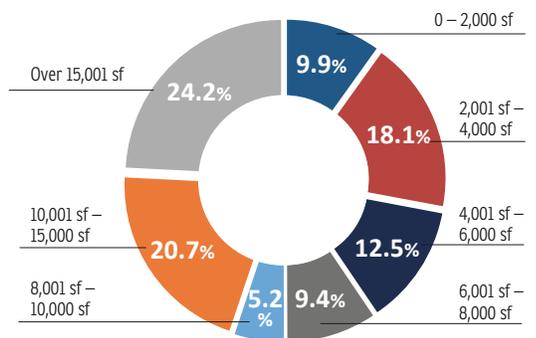
HEADLEASE VS. SUBLEASE DISTRIBUTION OF TOTAL AVAILABLE SPACE



DISTRIBUTION OF TOTAL AVAILABLE SPACE BY BUILDING CLASS



DISTRIBUTION OF OPTIONS BY SIZE RANGE



that as being representative of decision-makers taking into account the increased costs related to moves and expansions. Among the considerations tenants face in the immediate future are costs related to construction and renovation of spaces to suit their needs, as well as the high cost of furnishings to complete any new buildouts and upgrades. With the current interest rate environment making borrowing to fund improvements quite costly, many tenants are watching for the anticipated rate cuts and how many are in store for the balance of the year. These effect Landlords and tenants across all markets and property classes and has kept many tenants waiting on the sidelines.

Less visible is the ongoing shift in ownership of Downtown office inventory from primarily institutional possession to private investors. A major contributor to this has been the Downtown Development Incentive Program which, as we mentioned in our year-end 2023 report, saw several properties bought by private investors for the purpose of conversion.

We anticipate 2023 and 2024 will go down in history as the years when this turnover of commercial office properties effectively turned the clock back several decades in terms of ownership mix. The latest building to be put up for sale – 635 - 8th Avenue SW – will allow Cadillac Fairview to shed more of its B and C class portfolio. Encor Place – another B class Cadillac Fairview property – was put up for sale at an asking price of \$21.5 million (\$60 per square foot) earlier this year. Time will tell who the new owners will be.

Opportunities by Building Class and Size

The highest concentrations of available Downtown options continued to be in 10,000 sf or greater. Spaces measuring greater than 15,000+ sf comprised nearly one-quarter of availabilities while spaces in the 10,000 sf – 15,000 sf range comprised more than one-fifth of available options. The fewest options in the Downtown were among spaces measuring 8,001 sf – 10,000 sf and 6,001 sf – 8,000 sf, which contained 5.2% and 9.4% of available leasing options, respectively.

HEADLEASE OPPORTUNITIES BY BUILDING CLASS AND SIZE RANGE

Size Range	AA	A	B	C
0 – 2,000 sf	1	9	60	22
2,001 sf – 4,000 sf	5	19	101	39
4,001 sf – 6,000 sf	5	24	70	17
6,001 sf – 8,000 sf	3	19	50	11
8,001 sf – 10,000 sf	3	10	21	8
10,001 sf – 15,000 sf	7	58	111	11
15,001+	41	99	41	0
Overall	65	238	454	108

SUBLEASE OPPORTUNITIES BY BUILDING CLASS AND SIZE RANGE

Size Range	AA	A	B	C
0 – 2,000 sf	1	2	1	1
2,001 sf – 4,000 sf	6	6	3	2
4,001 sf – 6,000 sf	2	6	2	0
6,001 sf – 8,000 sf	4	3	6	0
8,001 sf – 10,000 sf	3	4	1	0
10,001 sf – 15,000 sf	5	8	6	0
15,001+	32	31	4	0
Overall	53	60	23	3

Distribution of Available Space



OVERALL AVAILABILITY BY LOCATION

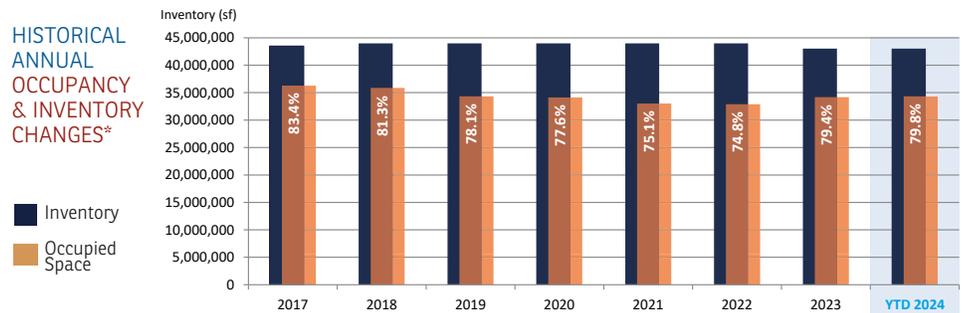
CORE	21.6%
NORTH	14.4%
EAST	26.4%
SOUTH	15.4%
WEST	44.1%

AVAILABILITY BY LOCATION AND CLASS (SF/%)

	AA	A	B	C
CORE	122,485 8.75%	1,257,513 19.36%	806,289 34.56%	61,175 24.39%
NORTH	498,617 10.73%	283,977 22.79%	93,284 47.59%	0 N/A
EAST	993,167 24.23%	341,920 13.97%	741,610 41.50%	29,986 6.37%
SOUTH	283,067 7.48%	892,786 22.30%	76,249 19.97%	24,113 9.83%
WEST	231,447 43.42%	1,482,290 59.72%	1,992,714 38.12%	436,298 37.96%

Changes in Occupancy

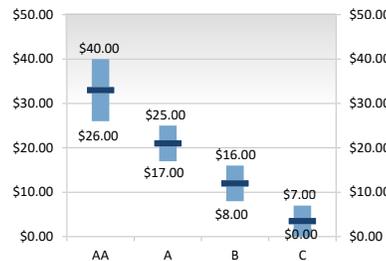
HISTORICAL ANNUAL OCCUPANCY & INVENTORY CHANGES*



* Barclay Street's inventory has been adjusted based on removal of several Downtown commercial office buildings, per The City of Calgary's list of approved office-to-residential conversions: <https://www.calgary.ca/development/downtown-incentive.html>

Average Costs

AVERAGE HEADLEASE RATES BY BUILDING CLASS



OPERATING COSTS BY BUILDING CLASS



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