

Calgary

Calgary's theme for 2018 needs to be resiliency and evolution

2017 started the year with a prevailing feeling of uncertainty. But despite that, Calgarians have an ingrained ability to recover from misfortune and adapt to change. Take the response to the 2013 flood, one of the costliest natural disasters Canada has ever seen. Calgary's timely, structured, and outcome-focused approach to recovery was crucial in getting the City back on its feet. In the past, businesses that have weathered economic downturns have emerged stronger than when they started. Innovation and entrepreneurship is part of the standard practices in what Calgary-based companies bring to the table. While a long road to economic recovery remains ahead, new attitudes and approaches to the established commercial real estate market are being unveiled.

Many landlords are considering what alternatives are available for their older, less desirable office properties. Office-to-residential conversion is starting to take place, with one confirmed project (**Artis REIT's Sierra Place**) in the works and several others being considered or in the process of being brought forward. Additionally, demolition of properties for redevelopment is being weighed for some locations. The first confirmed office property on the casualty list is the former **CBC Building** along Memorial Drive. This site is being repurposed as a residential condominium development.

Growing existing businesses and developing and attracting new ones has even greater potential, than repurposing properties, to absorb vacant space. Late in December 2017, Calgary city

council approved increasing the city's economic development investment fund to a total value of \$100 million. The aim of the fund is to diversify the economy, create jobs, support ways to reduce the downtown office vacancy rate and help local companies expand. Ideas around advancement of the agri-food sector, aiding in conversion of unoccupied buildings, and enabling Calgary to be a city where autonomous vehicles can be tested are just some of the early ideas. While the fund's terms of reference and the governance model have yet to be finalized, the proposed concept is to have **Calgary Economic Development** and a third party consider all opportunities or potential investments and allow Calgary to compete nationally and internationally to attract economic investment.

Also, market sentiment has improved as compared to this time last year. Many economic indicators are starting to show

Market Facts

23.5%

Calgary Overall Vacancy

26.0%

Downtown Vacancy

18.4%

Beltline Vacancy

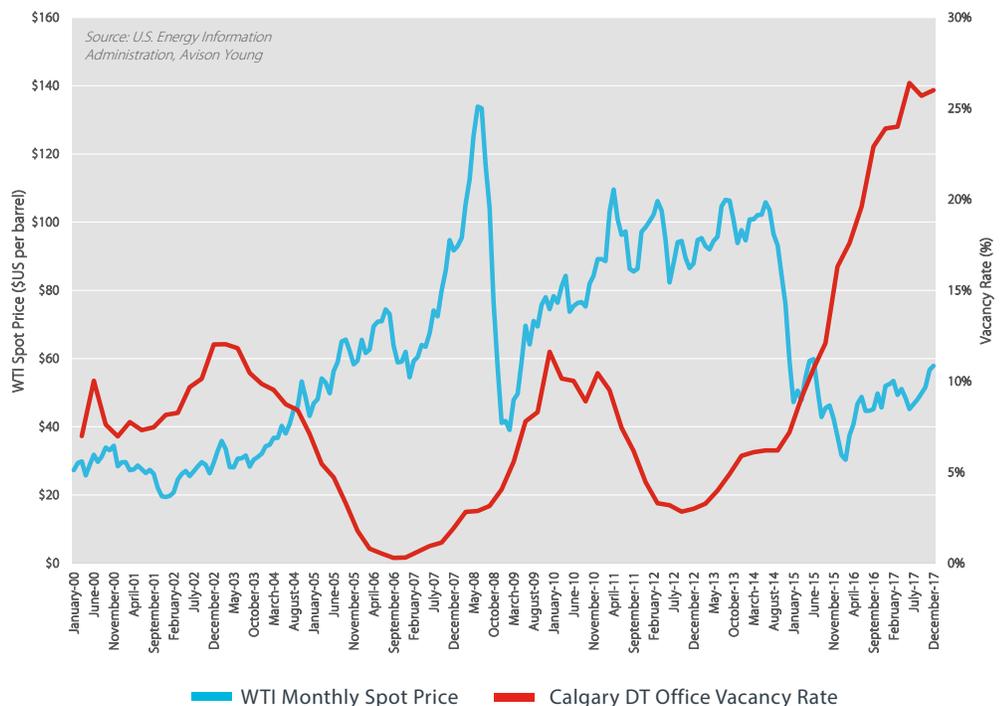
17.5%

Suburban North Vacancy

22.6%

Suburban South Vacancy

HISTORICAL PRICE OF OIL VERSUS CALGARY DOWNTOWN OFFICE VACANCY RATE

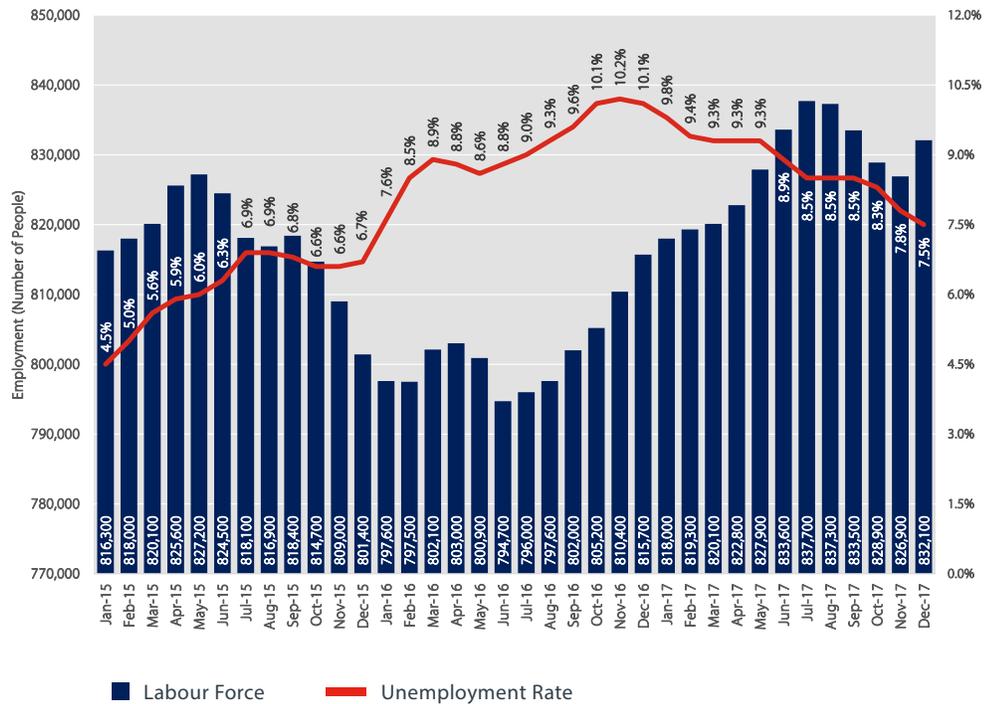


recovery, but a long journey remains. According to the **Conference Board of Canada** Calgary's 2017 GDP growth led the country, and is forecasted to regain a dominant position in economic growth between 2018 and 2021. However, this long-term growth is at a slower pace than Calgary experienced during the previous decade.

For the first time in two years, crude oil has hit US\$60 a barrel. Anecdotally, \$60 per barrel is the price level where noticeable activity starts occurring in oil sector businesses. However, there needs to be cautious optimism at this time, because there are still concerns. The current pricing appears to be a short-term rally, with prices likely to head back below US\$60 per barrel once the extreme cold weather subsides. Recent predictions believe that American drillers will put more rigs to work as oil continues to strengthen, with shale growth driving forecasts of record U.S. supply in 2018. That could undermine plans by producers including **OPEC**, who have pledged to extend production curbs through the end of 2018 to cut a global oversupply. Past economic recoveries in Calgary have been about rebounding prices for oil and gas, but going forward, recovery in the energy sector is going to be about being a low-cost producer and/or offering a better product (e.g. a lower carbon product). This is where technology and innovation, which are abundant in Calgary's energy sector, need to be brought to light. Lower-cost office space, which is now readily available, will be beneficial as well.

One of the strongest indicators for Calgary's recovery is that the labour market saw the unemployment rate shrink back to 7.5% as of December 2017, after it hit a 24-year high for unemployment rate in November 2016 at 10.2%. It remains one of the highest among major cities in Canada, but it is now feasible that a balanced employment market could be reached within the year. The number of jobs has

CALGARY CMA EMPLOYMENT AND UNEMPLOYMENT RATE



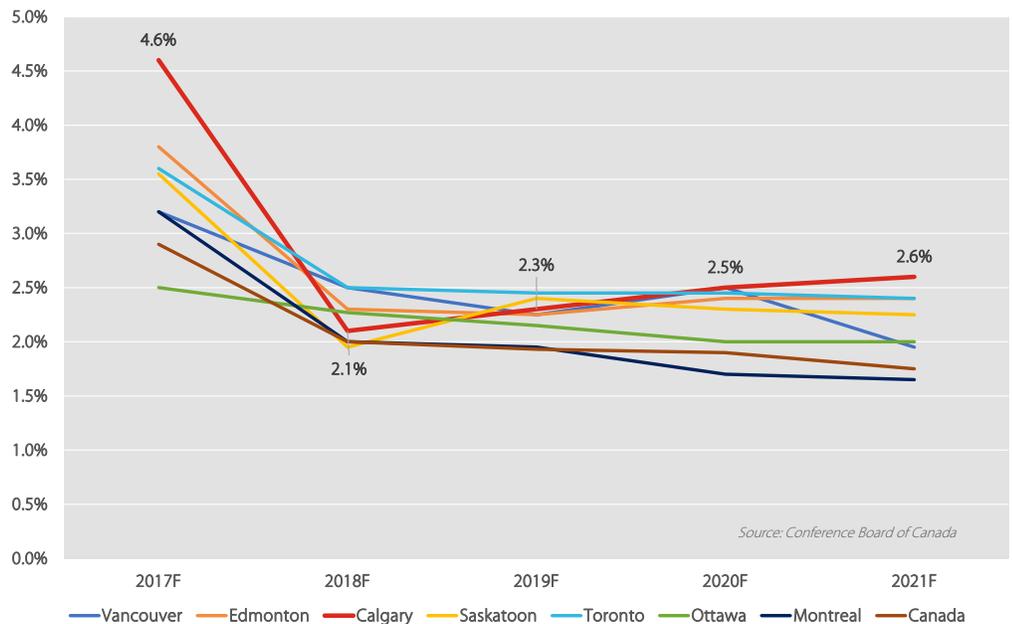
recovered. As of May 2017, employment in Calgary is back above the peak level recorded in May 2015 (827,200 people) according to the **Statistics Canada Labour Force Survey**. However, most of the gains were in lower-paying jobs, suggesting that while there was overall gain in employment, the new jobs were not of the same quality as those that were lost. It is hoped that as more signs

of economic recovery emerge and further economic diversification takes hold, companies will create more jobs in those highly-skilled, higher-pay occupations.

4.6% CALGARY IS FORECASTED TO LEAD AMONG MAJOR CANADIAN CITIES IN ANNUAL GDP GROWTH FOR 2018

Source: Conference Board of Canada

FORECASTED ANNUAL REAL GDP GROWTH RATES FOR MAJOR CITIES ACROSS CANADA



Source: Conference Board of Canada

CALGARY OVERALL

Calgary Overall



The Calgary office market finished the year on a down note. After the beleaguered Downtown market reached its peak vacancy in second quarter and started to record positive absorption in third quarter, the final quarter of the year saw vacancy increase once again. The overall vacancy rate rose from 23.1% to 23.5% during the fourth quarter of 2017.

Large contiguous blocks of office space continue to stand out in the market analysis. Contrary to the prevailing beliefs, these blocks are available predominantly on a headlease basis.

This increase in vacancy was due in large part to tenants opting to let their leases (or portions thereof) lapse as they drew towards the end of their lease terms. The return of space coupled with subleases reaching the end of their terms, forced landlords to add to the already substantial headlease market. Headlease space (space available directly from the landlord) now represents 71% of Calgary's overall availability.

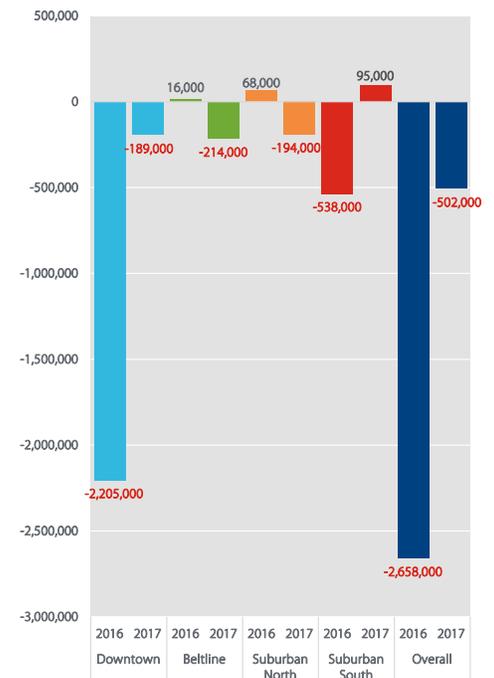
In the last three years, the amount of vacant office space in Calgary tripled from 5.9 msf to the current 17.9 msf. The good news is that 2017 saw vacancy increase at a much slower pace than the previous two years. The amount of vacant office space across Calgary increased by 94% in 2015 and by 41% in 2016. 2017 saw the

amount of available space on the market increase by 10%.

Large, contiguous blocks of office space continue to stand out in the market analysis. Contrary to the prevailing beliefs, these blocks are available predominantly on a headlease basis. Large block space, defined as one contiguous availability over 100,000 square feet (sf) in the Downtown market, or over 30,000 sf in the Beltline and surrounding suburban markets, represent between 17% and 65% of the vacancy for their respective market segments and 31% of the city-wide vacancy.

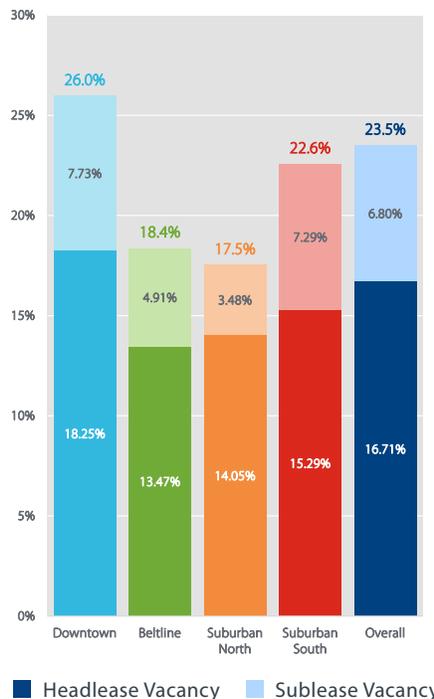
Absorption for the overall Calgary office market returned to being negative in the fourth quarter of 2017, with negative (-322,000 sf) being absorbed. The only Calgary submarket to see positive absorption in fourth quarter 2017 was the Suburban South. Overall absorption for the year was negative (-502,000 sf), a vast improvement over the negative (-3.3 million square feet (msf)) of absorption recorded in 2015 and negative (-2.7 msf) of absorption recorded in 2016.

CALGARY ANNUAL ABSORPTION BY AREA OF CITY



Quoted taxes and operating costs average \$17.89 per square foot (psf) for all building classes, across the entire city. Class AA buildings average \$23.48 psf, class A buildings average \$18.87 psf, class B buildings average \$17.07 psf, and class C buildings average \$14.43 psf. These numbers are further broken down within the specific area of city sections later in this report. However, it is important to note that assessments for office properties are falling across the city. Small decreases were seen in some categories throughout the

CALGARY OVERALL OFFICE VACANCY RATES



73% of households in Calgary OWN THEIR OWN HOMES

The highest home ownership rate of major Canadian cities and the fastest growing between 2011 and 2016.

SPECIFICALLY: 21.8% own condominiums
58.3% own single-family homes

2.6% AVERAGE NUMBER OF people in each household

Source: Statistics Canada

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year, and it is expected property taxes in the downtown will continue to decline in the near future.

There was one new building completed in fourth quarter 2017, **Royal Vista Centre** (49,000 sf), which had no leasing in place at the time of completion. Approximately 738,000 sf of new office space, in six buildings, remains under construction across Calgary. The majority of this is in Downtown (62%), followed by the Suburban North (24%), Beltline (9%), and Suburban South (5%). Very little new construction is anticipated to be announced in the city for several years, given the widespread availability across the entire Calgary office market.

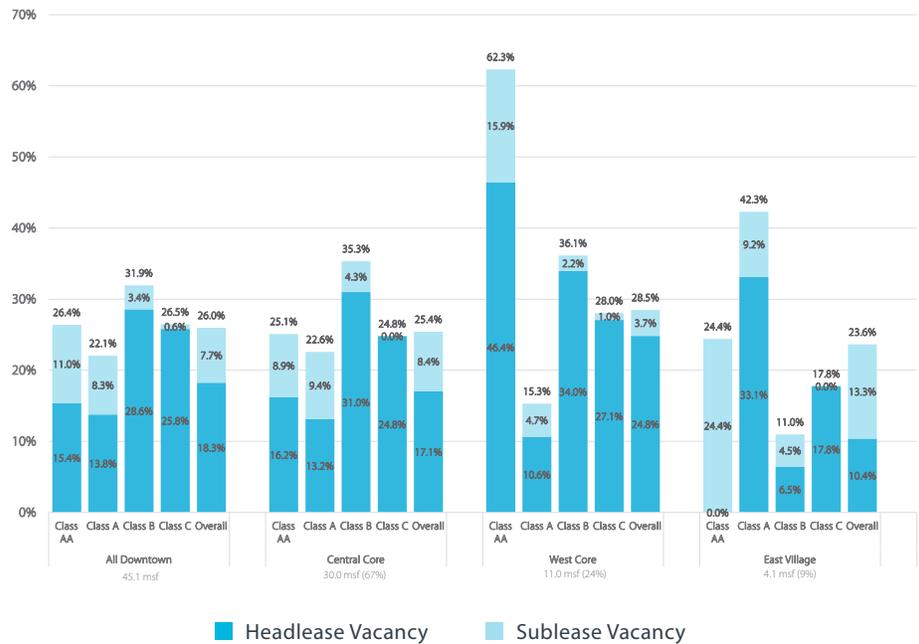
While energy and energy servicing companies continue to make up a large share of the leasing transactions being recorded, growth from areas such as information and technology, not-for-profits, government, business services and green technology are definitely being noticed. Also, activity by smaller tenants is growing noticeably. Demand for space under 5,000 sf continues to be high. However, due to an abundance of existing options in this size range and pressure on landlords to demise down larger blocks of space that aren't moving, rental rates remain competitive and inducements (such as free rent and improvement allowances) are substantial in many cases. Meanwhile, the market for large pockets of space will continue to have significant competition for the foreseeable future, maintaining the downward pressure on rental rates within this category.

As Calgary comes off the bottom of this downturn, it is expected that a flight-to-quality will continue. Flight-to-quality is where tenants move away from class B and C buildings and move to class A and AA buildings at almost the same or lower cost structure.

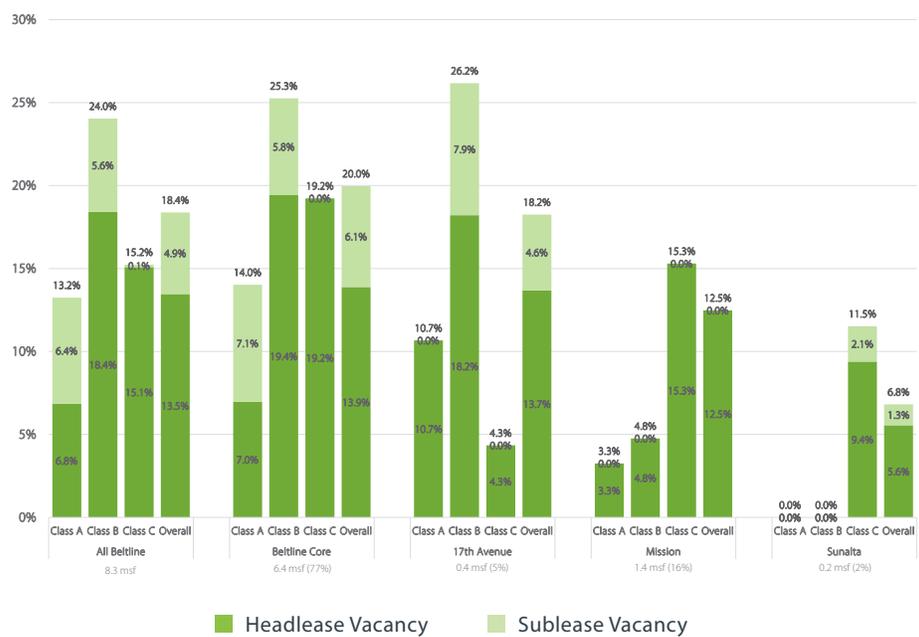
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DOWNTOWN CALGARY OFFICE VACANCY BY LOCATION



BELTLINE CALGARY OFFICE VACANCY BY LOCATION



In this new series of graphs (above), view the differences in vacancy rates for further geographic breakdowns of the four main Calgary submarkets. Click [HERE](#) to view the entire series.



Downtown



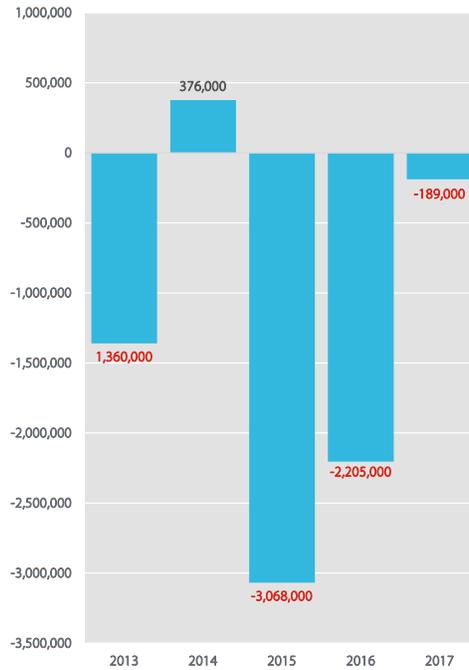
The Downtown Calgary office market saw its vacancy peak in second quarter 2017, however turbulence is still expected on the long journey to recovery. Fourth quarter 2017 saw a return to negative absorption, but vacancy remains below the peak value of 26.4%. Downtown Calgary vacancy, as of fourth quarter 2017 is 26.0%. This is up from 25.7% in third quarter 2017, and from 23.9% 12 months ago in fourth quarter 2016.

Total vacancy for the Downtown office market is 11.9 msf, broken down by: 8.3 msf of headlease space (70%) and 3.5 msf of sublease space (30%). It is anticipated that sublease availability will continue to be seen transitioning to headlease availability over the course of the next year as sublease terms continue to expire. 2017 saw the amount of vacant space in the Downtown market increase by 13%. This is a much slower pace

DOWNTOWN CALGARY OFFICE VACANCY RATES



DOWNTOWN CALGARY ANNUAL OFFICE ABSORPTION



than the previous two years. The amount of vacant office space in Downtown Calgary increased by 133% in 2015 and by 51% in 2016. In the last three years combined, the amount of vacant office space in Downtown Calgary quadrupled from 3.0 msf to the current 11.9 msf.

Fourth quarter 2017 saw the return to negative absorption for all building classes, except for class C buildings. Over the last three months, class AA buildings saw negative (-124,000 sf) of absorption, class A saw negative (-108,000 sf) of absorption, class B saw negative (-72,000 sf) of absorption, and class C saw positive 17,000 sf of absorption. Vacancy by class is now: class AA – 26.4%, class A – 22.1%, class B – 31.9%, and class C – 26.5%.

The amount of space coming onto the market has slowed down substantially. Absorption in the Downtown office market for fourth quarter 2017 was negative (-288,000 sf). For all of 2017 downtown Calgary has a cumulative negative absorption of (-189,000 sf). This is a noticeable improvement over the negative (-3.1 msf) of absorption recorded

in 2015 and negative (-2.2 msf) of absorption recorded in 2016. Thanks to the extreme nature of the downturn over the last few years, the 5-year average annual absorption is negative (-1,289,000 sf per year) and the 10-year average annual absorption is now negative (-162,000 sf per year).

Average asking rents for headlease space in Downtown range between \$4 and \$38 per square foot, per annum. New Construction buildings typically range between \$32 and \$36 psf (average \$35 psf). Class AA buildings typically range between \$22 and \$26 psf (average \$24 psf). Class A buildings typically range between \$13 and \$17 psf (average \$15 psf). Class B buildings typically range between \$8 and \$12 psf (average \$9 psf). Class C buildings typically range between \$4 and \$7 psf (average \$6 psf). Location, building quality, size of space, and length of term will all play into ultimately determining what the asking rate for a property is. Sublease opportunities can offer substantial discounts from these rates and vary widely.

Similarly, quoted taxes and operating costs average \$21.11 psf for all building classes, in the Downtown market. Class AA buildings average \$23.48 psf, class A buildings average \$21.00 psf, class B buildings average \$18.11 psf, and class C buildings average \$16.16 psf.

There are 14 availabilities on the market in Downtown Calgary that have over 100,000 sf available as one contiguous block. These 14 blocks of space represent 23% of the total availability of space in the Downtown market and 67% of this space is available on a headlease basis.

Brookfield Place Calgary – East was added to inventory in second quarter 2017. This 1.4 msf office tower is 79% pre-leased, but the occupancy for the building will be phased in over the next several quarters as it will take time for fixturing and move-in to be completed. This one building increased the downtown office inventory by 3%. As a result of the current economic conditions and weak demand for space no new development is

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expected to be announced in Calgary's downtown core for several years.

The last remaining office building under construction in downtown Calgary is **TELUS Sky**. It contains 460,000 sf of new office space, which will result in a 1% increase in inventory, and is 39% pre-leased - with over a year to go before occupancy starts to take place.

Looking to the future, without a substantial change in the Calgary economy, **TELUS Sky** will potentially push vacancy up to 27.7%, using pessimistic assumptions. The current realistic prediction is that absorption will be flat for the first half of 2018, positive 100,000 sf in each of Q3 and Q4 2018, and rising to 150,000 sf per quarter in 2019 and beyond. These reasonable assumptions indicate that Q2 2017 was the peak vacancy for this downturn, at 26.4%, resulting in vacancy reaching just shy

of that mark (26.3%) when **TELUS Sky** comes online and trending downwards thereafter.

DOWNTOWN CALGARY OFFICE MARKET AVERAGE ASKING RENTS



LABOUR

OF CALGARY'S LABOUR FORCE:



32.5% ARE IMMIGRANTS

66%



HAVE POST-SECONDARY EDUCATION

EMPLOYMENT:



66.5% OF CALGARIANS ARE EMPLOYED

VS. THE CANADIAN AVERAGE OF 60.2%

63.3% OF ABORIGINALS ARE EMPLOYED

VS. THE CANADIAN AVERAGE OF 52.1%

52.3% OF CALGARIANS (15 - 24 YRS OLD) ARE EMPLOYED

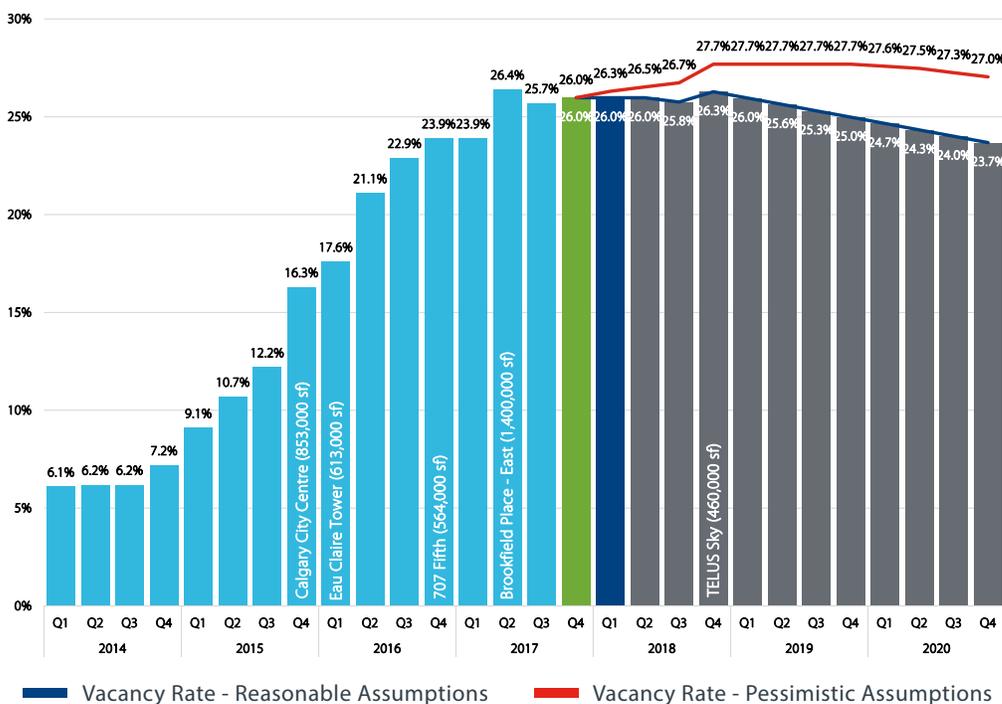
VS. THE CANADIAN AVERAGE OF 51.9%

3.6% OF CALGARIANS (64+ YRS OLD) ARE EMPLOYED

VS. THE CANADIAN AVERAGE OF 4.4%

Source: Calgary Economic Development

DOWNTOWN CALGARY OFFICE HISTORICAL AND PROJECTED VACANCY



Reasonable Assumptions:

2018: Flat absorption in Q1 and Q2, positive 100,000 sf in each of Q3 and Q4

2019 and beyond: Positive 150,000 sf in each quarter

Pessimistic Assumptions:

2018: Negative 150,000 sf in Q1, and negative 100,000 sf in each of Q2, Q3 and Q4

2019: Flat absorption

2020: Positive 50,000 sf in each of Q1 and Q2, positive 100,000 sf in each of Q3 and Q4

Beltline



The vacancy rate in the Beltline office market edged upwards again to sit at 18.4% in fourth quarter 2017. This is up from 17.3% in third quarter 2017, and from 16.0% 12 months ago in fourth quarter 2016. Vacancy appears to have peaked during this downturn for this market segment at 19.1% in the third quarter of 2016.

BELTLINE CALGARY OFFICE VACANCY BY CLASS



This increase in vacancy comes about through a 92,000-sf increase in headlease space, and an increase of less than 2,000 sf within the sublease market this quarter. Total vacancy for the Beltline office market is 1.5 msf, broken down by: 1,120,000 sf of headlease space (73%) and 409,000 sf of sublease space (27%). 2017 saw the amount of vacant space in the Beltline market increase by 16%.

The amount of vacant office space in Beltline Calgary increased by 45% in 2015 and by 3% in 2016. In the last three years combined, the amount of vacant office space in Beltline Calgary increased 73% from 883,000 sf to the current 1.5 msf.

Looking at the breakdown between building classes, fourth quarter 2017 saw positive absorption for class A buildings and negative absorption for class B and C buildings. Over the last three months class A buildings saw positive 44,000 sf of absorption, class B saw negative (-108,000 sf) of absorption, and class C saw negative (-30,000 sf) absorption. Vacancy by class is now: class A – 13.2%, class B – 24.0%, and class C – 15.2%.

Absorption in the Beltline office market for fourth quarter 2017 was negative (-94,000 sf). It is unfortunate that negative absorption has returned throughout 2017, this has pushed the year to be the worst for negative absorption since 2013. The Beltline office market's 5-year average annual absorption is 112,000 sf per year and the 10-year average is 174,000 sf per year.

Average asking rents for headlease space in the Beltline range between \$5 and \$27 per square foot, per annum. Class A buildings typically range between \$18 and \$27 psf (average \$22 psf). Class B buildings typically range between \$12 and \$18 psf (average \$15 psf). Class C buildings typically range between \$5 and \$12 psf (average \$10 psf). Location, building quality, size of space, and length of term will all play into ultimately determining what the asking rate for a property is. Sublease opportunities can offer substantial discounts from these rates and vary widely.

BELTLINE CALGARY OFFICE MARKET AVERAGE ASKING RENTS



Similarly, quoted taxes and operating costs average \$18.22 psf for all building classes, in the Beltline market. Class A buildings average \$19.90 psf, class B buildings average \$17.32 psf, and class C buildings average \$16.49 psf.



According to **ATB Financial's Business Beat Index**, which measures Alberta business owners' confidence in their own

business operations, economic optimism is up compared to the past two years:

[CLICK HERE](#)



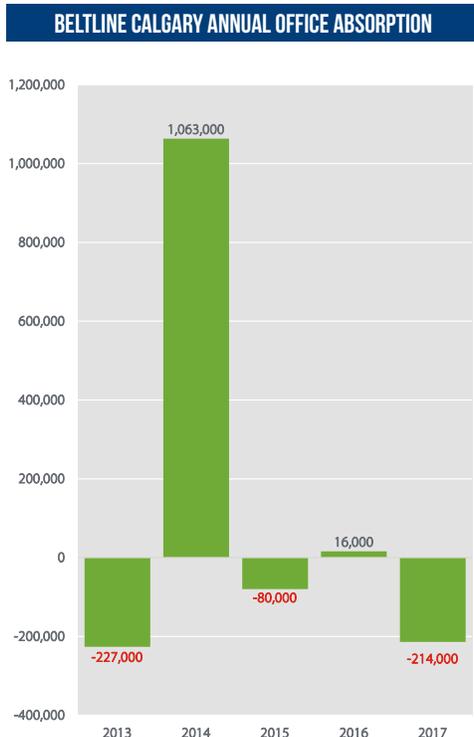
Calgary Q4 2017 Office Market Statistics

[DOWNLOAD CHART HERE](#)

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There are six availabilities in Beltline Calgary with more than 30,000 sf available as one contiguous block. These six blocks of space represent 17% of the total availability of space in the Beltline office market and 69% of this space is available on a headlease basis.

No new projects commenced in fourth quarter 2017, however two projects, **14th Street Office Building** at 1506 – 11th Avenue SW and **Mount Royal West**, remain under construction. These building contain a total area of 66,000 sf and combined are 47% pre-leased at this time - with all of this pre-leasing being in the **14th Street Office Building**.



CALGARY'S UNEMPLOYMENT RATE IS NOW 7.5%.

How does this compare to other markets, provinces and the Canadian average? What industries have been gaining jobs in the last year? View Calgary specific analysis and graphs of **Statistics Canada's Labour Force Survey** for December 2017, prepared by Avison Young's Calgary Research team (month-over-month and year-over-year comparisons).

CLICK [HERE](#) to view

CALGARY Q4 2017 NOTABLE OFFICE LEASING TRANSACTIONS

Downtown

Tenant	Building Name	Address	Size (sf)	Deal Type
Plains Midstream Canada	Plains Midstream Plaza	607 - 8th Avenue SW	167,000	Renewal - Expansion
Spartan Energy*	The Bow	500 Centre Street SE	40,000	Sublease - New
Aon	Eau Claire Tower	620 - 3rd Avenue SW	27,000	Sublease - New

Beltline

Tenant	Building Name	Address	Size (sf)	Deal Type
Copithorne and Blakely Corporation*	Biscuit Block	438 - 11th Avenue SE	7,000	Sublease - New
Katz Group Real Estate*	Joffre Place	708 - 11th Avenue SW	7,000	Headlease
Trilogy Software Inc.*	Dorchester Square	1333 - 8th Street SW	5,000	Headlease

Suburban North

Tenant	Building Name	Address	Size (sf)	Deal Type
Low Glenn & Card LLP*	Sunridge Business Park I	2886 Sunridge Way NE	8,000	Headlease
Dynacare Gamma Laboratory*	Willowglen Business Park 3	809 Manning Road NE	4,000	Headlease
S. Shewchuk & Associates Ltd.*	Stockman Centre	2116 - 27th Avenue NE	3,000	Headlease - Renewal

Suburban South

Tenant	Building Name	Address	Size (sf)	Deal Type
HOCS Projects*	Railway Corporate Centre A	6807 Railway Street SE	26,000	Headlease
Aware 360*	Glenmore Professional Centre	1201 - 66th Avenue SW	11,000	Headlease
420 Dispensaries*	Tull Business Park	5334 - 72nd Avenue SE	6,000	Headlease

* Indicates transactions Avison Young was involved in

SUBURBAN

Suburban North



The Suburban North office vacancy rate increased to 17.5% in fourth quarter 2017, up from 15.4% in third quarter 2017, and from 16.9% 12 months ago. Vacancy appears to have peaked during this downturn for this market segment at 21.3% in the third quarter of 2016.

Headlease space increased by 259,000 sf, while sublease space decreased by 24,000 sf during the last three months. Total vacancy for the Suburban North office market is 1.7 msf, broken down by 1.4 msf of headlease space (80%) and 344,000 sf of sublease space (20%). 2017 saw the amount of vacant space in the Suburban North market increase by 16%. The amount of vacant office space

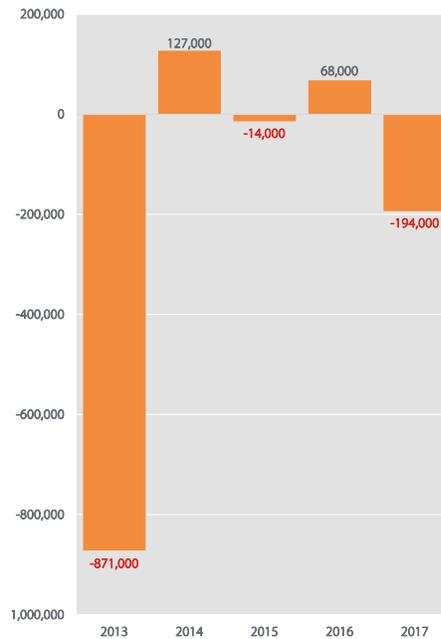
SUBURBAN NORTH CALGARY OFFICE VACANCY BY CLASS



■ Headlease Vacancy ■ Sublease Vacancy

in Suburban North Calgary increased by 35% in 2015 and by 14% in 2016. In the last three years combined, the amount of vacant office space in Suburban

SUBURBAN NORTH CALGARY ANNUAL OFFICE ABSORPTION



North Calgary increased 80% from 963,000 sf to the current 1.7 msf.

Fourth quarter 2017 saw negative absorption for class A and B buildings, and positive absorption for class C buildings in the Suburban North. Over the last three months class A buildings saw negative (-32,000 sf) of absorption, class B saw negative (-67,000 sf) of absorption, and class C saw positive 30,000 sf of absorption. Vacancy by class is now: class A – 18.7%, class B – 14.6%, and class C – 18.6%.

Absorption in the Suburban North office market for fourth quarter 2017 was negative (-69,000 sf). The 5-year average annual absorption for the Suburban North office market is negative (-177,000 sf per year), and the 10-year average annual

absorption is 28,000 sf per year.

Average asking rents for headlease space in the Suburban North range between \$6 and \$30 per square foot, per annum. New Construction buildings typically range between \$25 and \$30 psf, (average \$27 psf). Class A buildings typically range between \$18 and \$26 psf (average \$19 psf). Class B buildings typically range between \$9 and \$16 psf (average \$13 psf). Class C buildings typically range between \$6 and \$12 psf (average \$9 psf). Location, building quality, size of space, and length of term will all play into ultimately determining what the asking rate for a property is. Sublease opportunities can offer substantial discounts from these rates and vary widely.

Similarly, quoted taxes and operating costs average \$14.40 psf for all building classes, in the Suburban North market. Class A buildings average \$15.35 psf, class B buildings average \$13.56 psf, and class C buildings average \$12.18 psf.

There are 13 availabilities in Suburban North Calgary with more than 30,000 sf available in one contiguous block. These 13 blocks of space represent 42% of the total availability of space in the Suburban North office market and 77% of this space is available on a headlease basis.

One new office building was added to inventory in fourth quarter 2017, **Royal Vista Centre** (49,000 sf), which had no leasing in place at the time of completion. Two office buildings remain under construction in Suburban North Calgary. These are: **Hexagon Calgary**

CALGARY OFFICE MARKET AVERAGE TAXES AND OPERATING COSTS

	Class AA	Class A	Class B	Class C	All Classes
Downtown	\$23.48	\$21.00	\$18.11	\$16.16	\$21.11
Beltline	-	\$19.90	\$17.32	\$16.49	\$18.22
Suburban North	-	\$15.35	\$13.56	\$12.18	\$14.40
Suburban South	-	\$14.98	\$14.48	\$9.67	\$14.46
Overall	\$23.48	\$18.87	\$17.07	\$14.43	\$17.89

(per square foot, per annum)

SUBURBAN NORTH OFFICE MARKET AVERAGE ASKING RENTS



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Campus, and One North Business Centre. They represent 181,000 sf of new space, which will increase the Suburban North office inventory by 2%. The good news is the Hexagon Calgary Campus building is being purpose-built for its owner-user, and as such, combined these two buildings are 93% pre-leased.

Suburban South



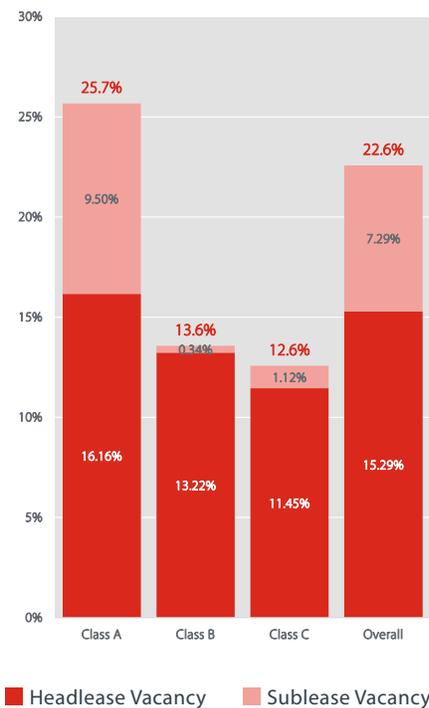
The Suburban South office vacancy rate decreased to 22.6% in fourth quarter 2017, down from 23.6% in third quarter 2017, but up from 22.5% twelve months ago in fourth quarter 2016. Vacancy appears to have peaked during this downturn for this market segment at 24.3% in the first quarter of 2017.

Headlease space decreased by 134,000 sf over the last quarter, while sublease space increased by 7,000 sf. Total vacancy for the Suburban South office

market is 2.7 msf, broken down by 1.84 msf of headlease space (68%) and 879,000 sf of sublease space (32%).

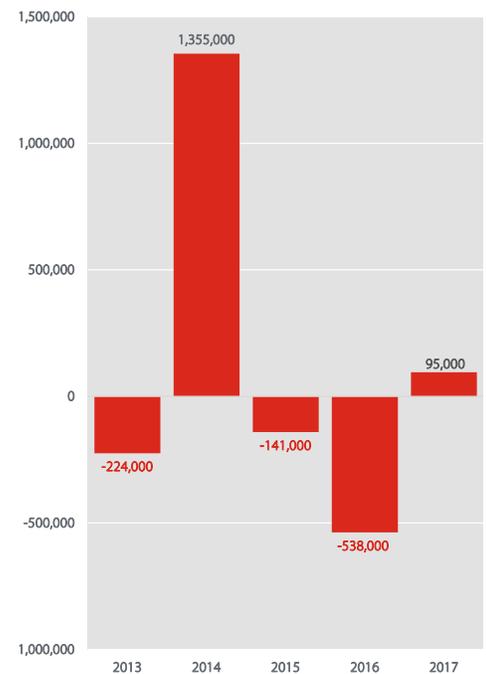
Fourth quarter 2017 saw positive absorption for class A and C buildings and negative absorption for class B buildings in the Suburban South office market. Over the last three months class A buildings saw positive 106,000 sf of absorption, class B saw negative (-13,000 sf) of absorption, and class C saw positive 34,000 sf of absorption. Vacancy by class is now: class A – 25.7%, class B – 13.6%, and class C – 12.6%.

SUBURBAN SOUTH CALGARY OFFICE VACANCY BY CLASS



Absorption in the Suburban South office market for fourth quarter 2017 was positive 127,000 sf. Thanks to positive absorption in the first and second quarters of 2017, the 2017 annual absorption for the Suburban South office market is positive 95,000 sf, making it the best performing submarket in Calgary for the year. The 5-year annual average absorption is 109,000 sf per year, and the 10-year

SUBURBAN SOUTH CALGARY ANNUAL OFFICE ABSORPTION



annual average absorption is 257,000 sf per year.

Average asking rents for headlease space in the Suburban South range between \$6 and \$30 per square foot, per annum. New Construction buildings typically range between \$25 and \$30 psf, (average \$27 psf). Class A buildings typically range between \$15 and \$25 psf, (average \$19 psf). Class B buildings typically range between \$10 and \$16 psf, (average \$14 psf). Class C buildings typically range between \$6 and \$12 psf, (average \$10 psf). Location, building quality, size of space, and length of term will all play into ultimately determining what the asking rate for a property is. Sublease opportunities can offer substantial discounts from these rates and vary widely.

Similarly, quoted taxes and operating average \$14.46 psf for all building classes, in the Suburban South market.

SUBURBAN

SUBURBAN SOUTH OFFICE MARKET AVERAGE ASKING RENTS



continued from page 10

Class A buildings average \$14.98 psf, class B buildings average \$14.48 psf, and class C buildings average \$9.67 psf.

There are 20 availabilities in Suburban South Calgary with more than 30,000 sf available in one contiguous block. These 20 blocks of space represent 65% of the total availability of space in the Suburban South office market and 63% of this space is available on a headlease basis.

No new buildings were added to inventory in fourth quarter 2017. One office building remains under construction in Suburban South Calgary: **Macleod Professional Centre**. This building contains 31,000 sf of new space, and is currently 39% pre-leased. Given the current, widespread availability in the office market and slow absorption of space, limited new construction is anticipated to commence in 2018. ■

Did You Know?

Did you know Avison Young is considered one of the most diverse firms in the commercial real estate industry with an overall makeup of 40% women, according to a CREW white paper and Avison Young case study?

[CLICK HERE](#) to view

CALGARY Q4 2017 UNDER CONSTRUCTION AND NEW SUPPLY

Downtown Under Construction

Building Name	Address	Office Area (sf)	Expected Completion	% Leased / Pre-Leased	LEED Target
TELUS Sky	110 - 7th Avenue SW	460,000	Q4 2018	39%	Platinum

Beltline Under Construction

Building Name	Address	Office Area (sf)	Expected Completion	% Leased / Pre-Leased	LEED Target
14th Street Office (RECA Building)	1506 - 11th Avenue SW	38,000	Q1 2018	82%	
Mount Royal West	1508 - 8th Street SW	28,000	Q2 2018	0%	

Suburban North New Supply

Building Name	Address	Office Area (sf)	Expected Completion	% Leased / Pre-Leased	LEED Target
Royal Vista Corner	9 Royal Vista Drive NW	49,000	Complete	0%	

Suburban North Under Construction

Building Name	Address	Office Area (sf)	Expected Completion	% Leased / Pre-Leased	LEED Target
Hexagon Calgary Campus	10921 - 14th Street NE	160,000	Q2 2018	100%	
One North Business Centre	1348 Northmount Drive NW	20,000	Q2 2018	35%	

Suburban South Under Construction

Building Name	Address	Office Area (sf)	Expected Completion	% Leased / Pre-Leased	LEED Target
Macleod Professional Centre	3916 Macleod Trail SE	31,000	Q1 2018	39%	

FEATURED DOWNTOWN

Selkirk House



555 - 4th Avenue SW
SUBLEASE Opportunity
Up to 11,149 sf (chalkline opp.)

FEATURED BELTLINE

ATCO Centre I & II



909 & 919 - 11th Avenue SW
HEADLEASE / SUBLEASE
From 2,271 sf up to 113,573 sf

FEATURED SUBURBAN NORTH

WhiteWater Place



1717 - 10th Street NW
HEADLEASE Opportunity
2,092 sf

FEATURED SUBURBAN SOUTH

5757 - 4th Street SE



5757 - 4th Street SE
HEADLEASE Opportunity
11,500 sf

Gulf Canada Square



401 - 9th Avenue SW
SUBLEASE Opportunity
From 3,567 sf up to 340,126 sf

340 - 12th Avenue SW



340 - 12th Avenue SW
HEADLEASE Opportunity
From 1,685 sf up to 9,860 sf

325 Manning Road NE



325 Manning Road NE
HEADLEASE Opportunity
From ±1,000 sf - ±14,000 sf

Corner Court



6223 - 2nd Street SE
HEADLEASE Opportunity
From 5,901sf up to 13,416 sf

FEATURED DOWNTOWN

F1RST Tower



- Existing First Class leaseholds including demountable wall systems
- + 15 connected
- On-site Professional Management & 24/7 Security
- Walking/Bike trails
- Fitness centre in the building
- Access to restaurants, coffee shops, eateries & services
- Underground parking

411 - 1st Street SE
HEADLEASE Opportunity
From 11,250 sf up to 330,965 sf

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