



Calgary office report

First quarter 2008

Calgary office market

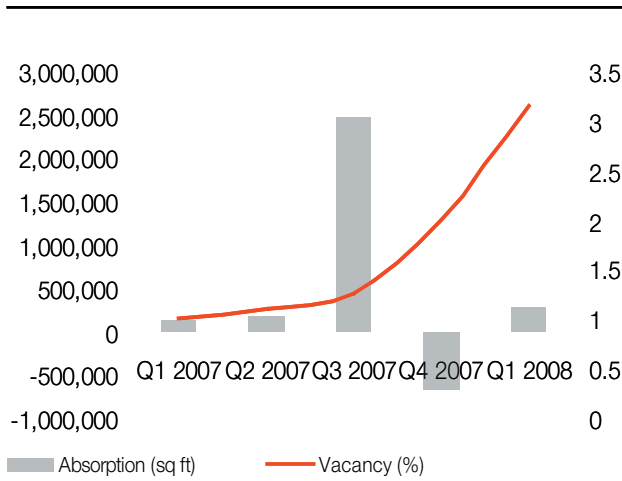
Calgary's economy continued to prosper in the first quarter of 2008, supported by strong energy demand and sound consumer spending. Energy output is expected to moderate in 2008, due to lower natural gas prices and uncertainty around Alberta's new royalty regime. Nevertheless, Calgary's real GDP is forecast to grow by 3.9% in 2008, which will lead all metropolitan areas in Canada.

Tenant demand for space continues to be strong. Calgary's overall vacancy rate increased in the first quarter of 2008 by 2.0% to end the quarter at 3.16%. The rise in vacancy is mainly as a result of the slowdown in the oil services business due to the low natural gas prices, and new space coming on to the market. Occupied space increased by 288,631 square feet in Q1.

Net lease rates increased from the fourth quarter of 2007 to the first quarter of 2008 from \$29.27 per square foot to \$29.92, marking the 5th straight quarter rise in net rental rates. Rental rates are expected to level off if the gas sector remains quiet, and new supply coming on the market will put further downward pressure on rental rates. In the first quarter, long term sublease space coming onto the market with market rents.

Construction activity remains red hot. The Calgary skyline saw the completion of four new buildings in Q1, totalling in excess of 893,000 square feet. There are currently 35 buildings under construction in Calgary representing over 9.2 million square feet of new inventory with various completion dates between 2008 and 2011. Pre-leasing continues to be strong with approximately 4.9 million square feet or 54% already pre-leased.

Greater Calgary Absorption and Vacancy
Q1 2007 – Q1 2008



Source: DTZ Barnicke



The majority of buildings under construction are concentrated in the downtown market (6.4 million square feet) with the rest fairly evenly distributed among the Beltline, North Calgary and South Calgary.

Notable construction projects include

- The Bow - North Block, 6th Avenue SW & Centre Street, Downtown, a 1.84 million square foot development ready for occupancy in Q3 2011 - 100% pre-leased to Encana
- Eighth Avenue Place, 8th Avenue & 5th Street SW, Downtown, a 1.0 million square foot building ready for occupancy Q1 2011 - 0% pre-leased
- Jamieson Place, 302 4th Avenue SW, Downtown, a 875,000 square foot building ready for occupancy Q4 2009 - 100% pre-leased
- Centennial Place East, 500 3rd Avenue SW, Downtown, a 811,000 square foot building, ready for occupancy Q1 2010

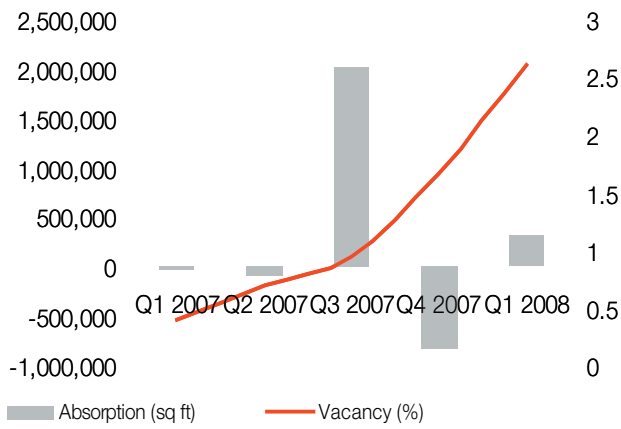
Notable building completions in Q1 2008 include

- Westmount Corporate Campus Building 3, 4954 Richard Road SW, 194,521 sq ft, 98% leased
- Genco Place, 396 11th Avenue SW, Beltline, 140,210 sq ft, 95% leased
- Crowfoot West Business Centre, 600 Crowfoot Crescent NW, 95% leased

Downtown

Vacancy in Downtown Calgary increased for the sixth consecutive quarter, to end Q1 2008 at 2.6%, as newly completed office buildings came onto the market. Calgary's downtown continues to be one of the tightest markets in Canada. Most of the space coming back to the market is relatively modest in size, and is likely to be absorbed quickly. Tenants looking for options greater than 10,000 square feet currently have 19 options to choose from; of which only 1 is greater than 50,000 square feet. With continued tight market conditions, Downtown Class A net rental rates average \$35.73, with some buildings asking as much as \$47.00 per square foot.

Downtown Absorption and Vacancy
Q1 2007 – Q1 2008



Source: DTZ Barnicke

Beltline

Vacancy in the Beltline increased by 2.9% in the first quarter, ending the quarter at 4.6%. Vacancy has increased from 21,000 square feet at the end of Q1 2007 to 217,000 square feet at the end of Q1 2008. Tenants looking for opportunities greater than 10,000 square feet currently have six options to choose from; of which three are greater than 20,000 square feet. There is now over 1.1 million square feet of new development projects underway in the Beltline which includes the Stampede Station project, and the Palliser South development.

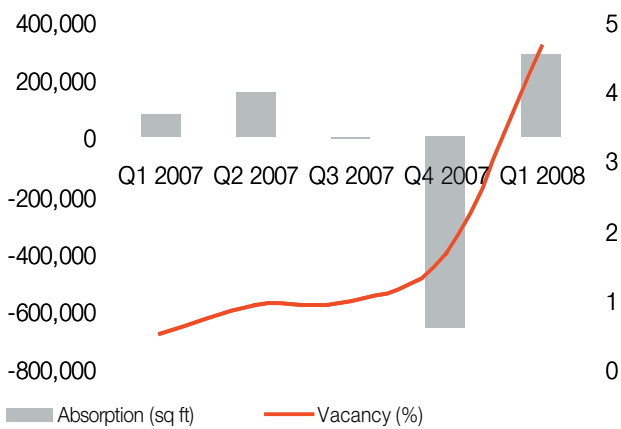
Net rental rates in the Beltline for existing product available immediately are in the \$30.00 per square foot range, with new construction in the \$40.00 per square foot range.



North Calgary

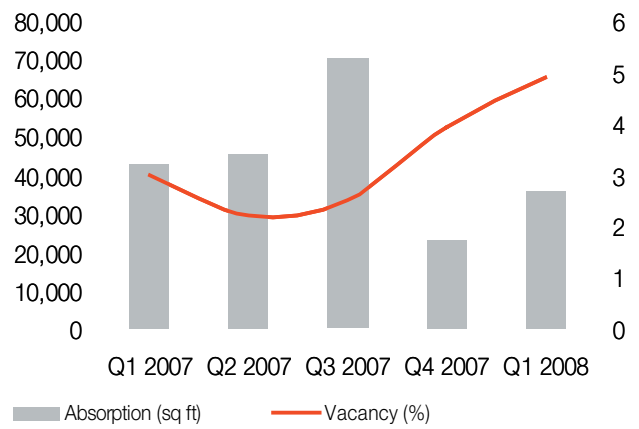
Vacancy in North Calgary further increased over the quarter to end Q1 2008 at 4.9%. Currently there are six speculative buildings, totaling 730,000 square feet, under construction in North Calgary. This space is scheduled for completion by year-end 2008. Currently 52% of this new space has been pre-leased.

Beltline Absorption and Vacancy
Q1 2007 – Q1 2008



Source: DTZ Barnicke

North Calgary Absorption and Vacancy
Q1 2007 – Q1 2008



Source: DTZ Barnicke

South Calgary

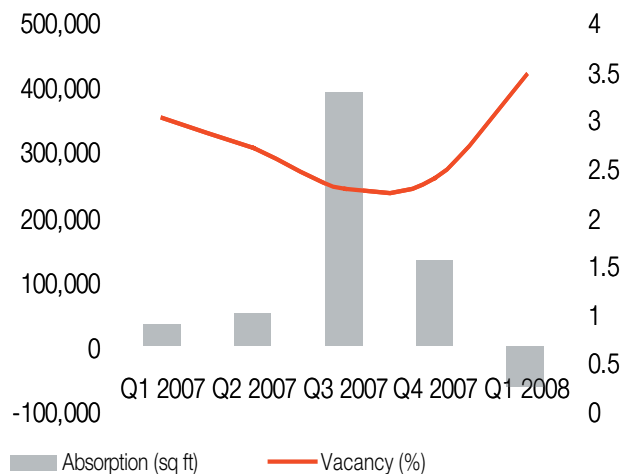
Vacancy in South Calgary ended the quarter at 3.5% as occupied space decreased by 62,628 square feet. The South Calgary market continues to be an active development area with more than 1.3 million square feet under construction.

Existing buildings are achieving rents in the \$25.00 per square foot range with new construction opportunities in the \$30.00 per square foot range.



Cambrian Executive Place, 4040 Bowness Road NW

South Calgary Absorption and Vacancy Q1 2007 - Q1 2008



Source: DTZ Barnicke

Calgary office market highlights

Q1 2008

Zone	Q1/08 NRA	Q1/08 Direct	Q1/08 Sublet	Q1/08 Total	Vacancy Rate	Q1/08 Occupied	YTD growth	Weighted average net rent	Under construction	YTD completions
Downtown	34,235,654	621,586	272,948	894,534	2.61%	32,488,120	317,238	\$34.79	6,420,053	656,000
Beltline	4,685,260	141,445	75,811	217,256	4.64%	4,468,004	-1,592	\$22.78	1,160,827	140,210
North Calgary	5,828,492	275,448	10,330	285,778	4.90%	5,542,714	35,613	\$18.66	729,804	96,518
South Calgary	5,829,646	148,622	52,535	201,157	3.45%	5,628,489	-62,628	\$20.38	1,356,216	0
Greater Calgary Total	50,579,052	1,187,101	411,624	1,598,725	3.16%	48,980,327	288,631	\$29.92	9,666,900	892,728

Source: DTZ Barnicke

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