



Calgary office report

Second quarter 2008

Calgary office market

Record high oil and natural gas prices continue to drive Calgary's economy in the second quarter of 2008. Calgary's real GDP is forecast to grow by 3.9% in 2008, which will lead all metropolitan areas in Canada. Consequently, tenant demand for Calgary office space increased in the second quarter. Overall vacancy rate moderately increased in the second quarter by 0.8% to end the quarter at 3.9% - one of the lowest office vacancy rates in the world. The slight rise in vacancy is attributed to vacancies coming onto the market in existing buildings, as tenants relocated to occupy newly completed office space. Occupied space increased by 540,753 square feet in the second quarter, and has increased by 2.6 million square in the past 12 months.

Net lease rates increased from the first quarter to the second quarter of 2008 from \$29.92 per square foot to \$30.02, marking the 6th straight quarter rise in net rental rates. Rental rates are expected to level off as new supply continues to come on the market.

Construction activity in Calgary remains red hot. The Calgary skyline saw the completion of nine new buildings in Q2, totaling in excess of 1.0 million square feet. There are currently 30 buildings under construction in Calgary, representing over 8.5 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.



Notable construction projects include

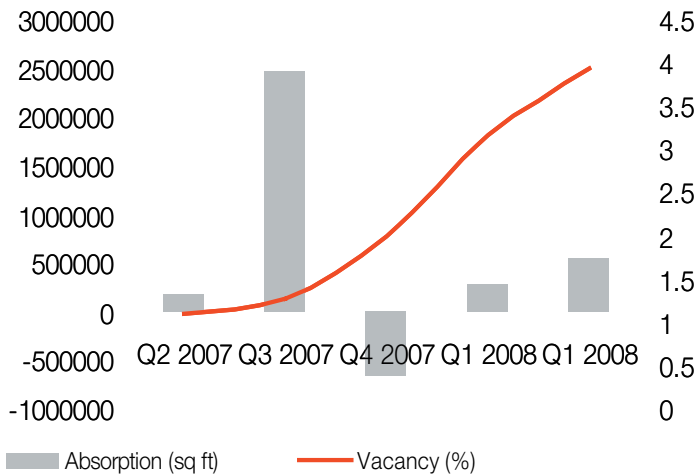
- The Bow - North Block, 6th Avenue SW & Centre Street, Downtown, a 1.84 million square foot development ready for occupancy in Q3 2011 - 100% pre-leased to Encana
- Eighth Avenue Place, 8th Avenue & 5th Street SW, Downtown, a 1.0 million square foot building ready for occupancy Q1 2011 - 0% pre-leased
- 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 Q2 2008 include

- Jacobs Building, , 350,000 sq ft , 100% leased
- OPUS II, 2535 3rd Avenue SE, 239,815 sq ft , 100% leased
- Westmount Corporate Campus Building 3, 4954 Richard Road SW, 194,521 sq ft, 98% leased

Greater Calgary Absorption and Vacancy

Q2 2007 - Q2 2008

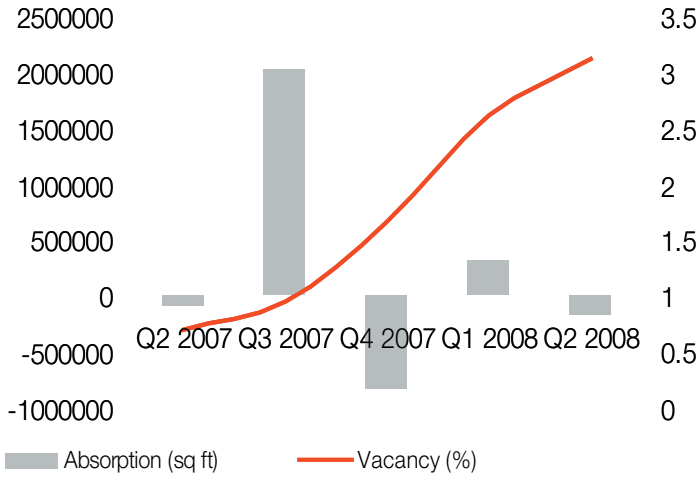


Source: DTZ Barnicke

Downtown

Vacancy in Downtown Calgary increased for the seventh consecutive quarter, to end Q2 2008 at 3.1%. Calgary's downtown continues to be one of the tightest markets in Canada. Calgary's central downtown core Class A vacancy is extremely tight once again at 1.6%. The majority of vacant space downtown is located in B and C class buildings outside of the central core. Tenants looking for options greater than 10,000 square feet currently have 41 options to choose from (up from 19 in Q1); of which 8 are greater than 50,000 square feet. Average net asking rates decreased slightly in the second quarter from \$34.79 to \$34.60.

Downtown Absorption and Vacancy
Q2 2007 – Q2 2008

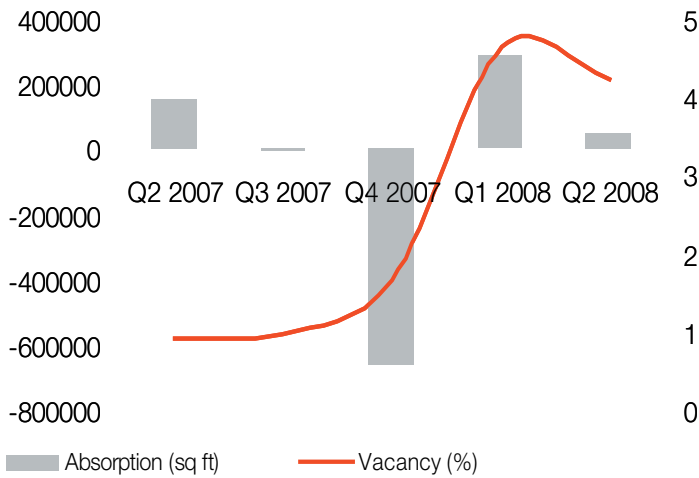


Beltline

Vacancy in the Beltline decreased by 0.4% over the quarter to end Q2 at 4.2%. This marks the end of three consecutive quarters of rising vacancy. Consequently occupied space increased by 49,814 square feet. Tenants looking for opportunities greater than 10,000 square feet currently have eight options to choose from; none of which are greater than 50,000 square feet. There is currently 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.

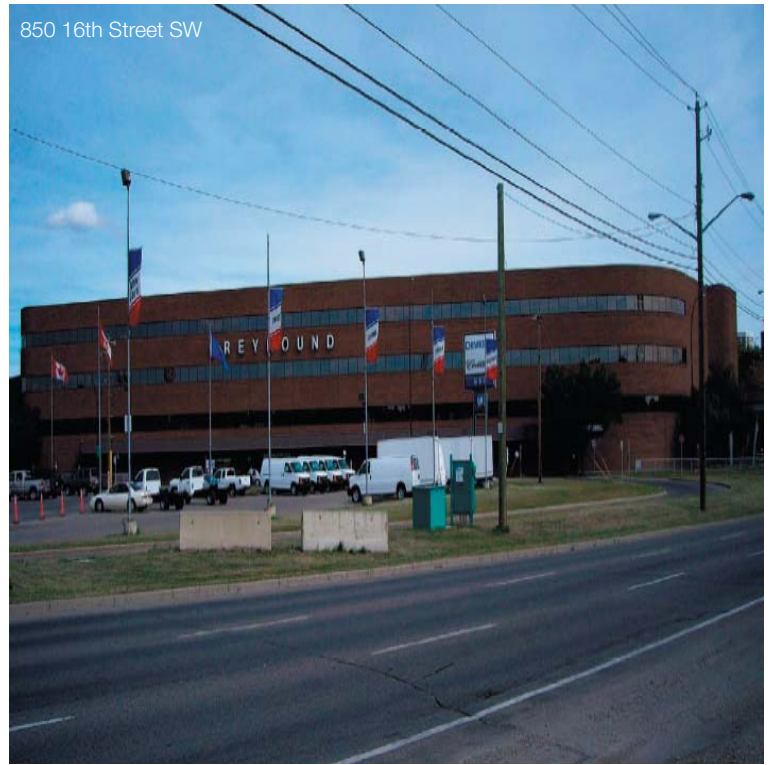
Net rental rates in the Beltline for existing product available immediately are in the \$30.00 per square foot range, with new construction in the \$40.00 per square foot range.

Beltline Absorption and Vacancy
Q2 2007 – Q2 2008



Source: DTZ Barnicke

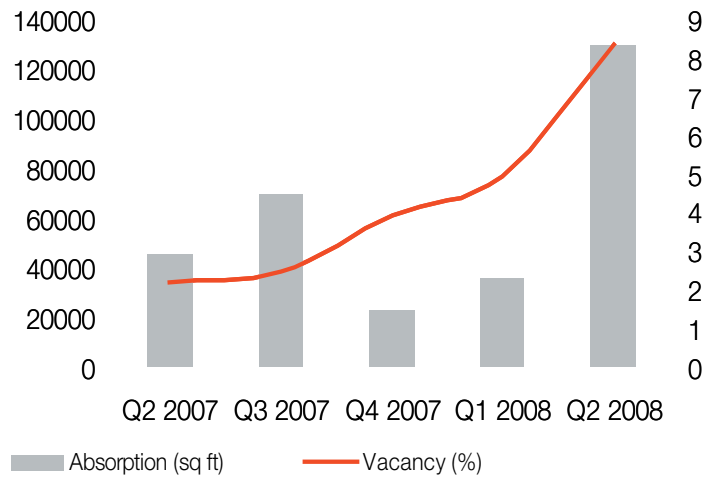
850 16th Street SW



North Calgary

Vacancy in North Calgary increased by 3.4% over the quarter to end Q2 at 8.3%. The only suburban market with significant vacancies is the Northeast, where four new buildings were completed in Q2 totaling 342,804 square feet - of which 45% remains vacant. Consequently occupied space increased by 129,911 square feet in Q2. Three more speculative buildings are currently under construction in the Northeast totaling 462,000 square feet. These buildings are scheduled for completion by mid-year 2009 - 55% of this new space has been pre-leased. Rental rates have stabilized in the Northeast, and landlord's are now offering tenants more inducements to attract them to their buildings, which we will continue to see through the second half of 2008.

North Calgary Absorption and Vacancy
Q2 2007 – Q2 2008



Source: DTZ Barnicke

South Calgary

Vacancy in South Calgary increased by 0.3% to end the quarter at 3.8%. Occupied space increased by 529,971 square feet in Q2 as a result of the completion of four new buildings totaling 596,000 square feet in South Calgary. The South Calgary market continues to be a very active development area with 12 building under construction totalling more than 1.1 million square feet, of which 30% is already pre-leased.

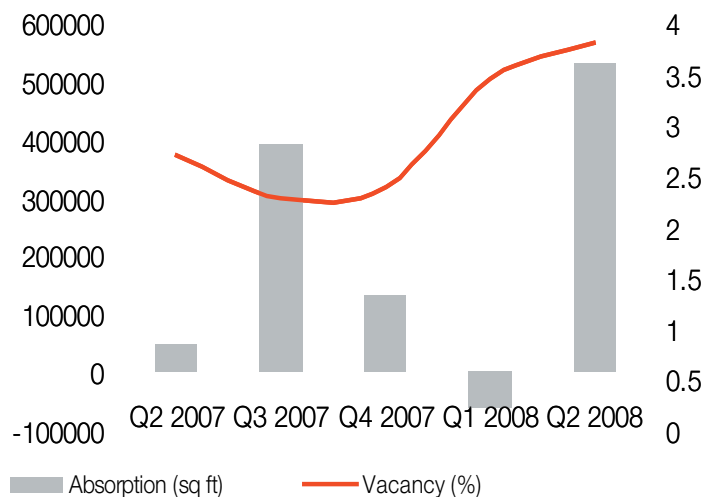
Existing buildings are achieving rents in the \$25.00 per square foot range with new construction opportunities in the \$30.00 per square foot range.



Montgomery Place - 1899 45th Street NW

South Calgary Absorption and Vacancy

Q2 2007 – Q2 2008



Calgary office market highlights

Q2 2008

Zone	Q2/08 NRA	Q2/08 Direct	Q2/08 Sublet	Q2/08 Total	Vacancy Rate	Q2/08 Occupied	YTD growth	Weighted average net rent	Under construction	YTD completions
Downtown	34,235,654	827,337	236,140	1,063,477	3.11%	33,172,177	148,295	\$34.60	5,870,728	656,000
Beltline	4,716,689	129,134	69,737	198,871	4.22%	4,517,818	48,222	\$23.85	1,056,827	245,210
North Calgary	6,187,141	494,319	20,197	514,516	8.32%	5,672,625	165,524	\$20.16	462,000	439,322
South Calgary	6,401,397	195,183	47,754	242,937	3.80%	6,158,460	467,343	\$21.43	1,099,520	596,516
Greater Calgary Total	51,540,881	1,645,973	373,828	2,019,801	3.92%	49,521,080	829,384	\$30.02	8,489,075	1,937,048

Source: DTZ Barnicke

Calgary office leasing team

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