



# Calgary Office Market

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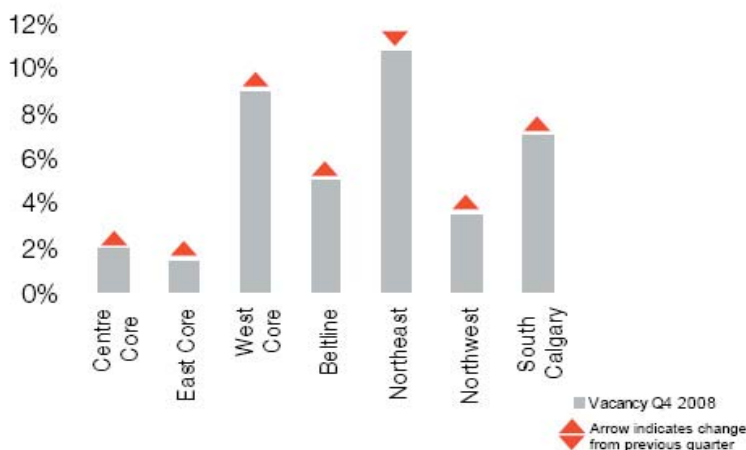
Calgary's reign as one of the nation's top growth leaders ended in 2008 as the economy expanded by a mere 1.7%. As a result of the global credit crisis and declining oil prices, tenant demand for space softened in the fourth quarter. The overall vacancy rate increased by 50 basis points (bps) in the fourth quarter, to end the year at 4.9% as 230,000 square feet of sublease offerings came onto the market. Despite the rise in vacancy, occupied space increased by 594,000 square feet in Q4.

The Calgary skyline saw the completion of three buildings in Q4, totaling 535,000 square feet, pushing the 2008 total to 21 buildings completions totaling 3.0 million square feet. Another 26 buildings are currently under construction in Calgary ranging from 54,000 to over 1.8 million square feet, in a mix of build to suit and speculative projects, for a total new supply of 7.7 million square feet with various completion dates between 2008 and 2011. Pre-leasing continues to be strong with approximately 4.7 million square feet or 61% already pre-leased.

Looking forward to the first quarter we expect tenant demand to continue to soften as a result of the global credit crisis and declining oil prices. Expansion plans and major projects will be delayed or cancelled, and further consolidations within the junior oil and gas sector will result in further office space coming onto the sublease market in the first half of 2009. Rental rates are expected to experience downward pressure in 2009 as more supply comes on stream. Landlords will also face competition from the growing number of sublease offerings in the market.

## Distribution of Office Space Across Calgary

Q4 2008



Source: DTZ Barnicke

## Downtown

Overall vacancy increased for the ninth consecutive quarter, to end Q4 at 3.6%. Occupied space increased by approximately 113,000 square feet, as tenants returned surplus space to the sublease market. Tenants looking for options greater than 10,000 square feet currently have 44 options to choose from; of which 3 are greater than 50,000 square feet.

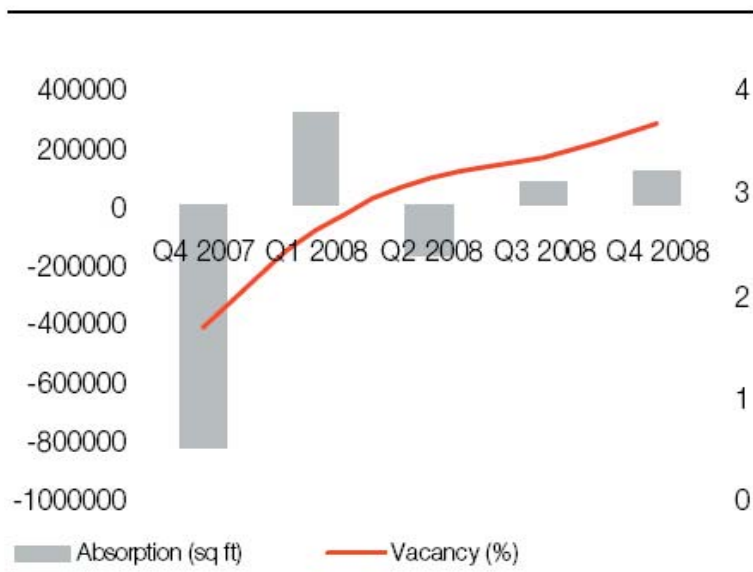
In Calgary's Central Core, occupied space decreased by 82,000 square feet, resulting in a rise in vacancy of 37 bps to the end the quarter at 1.9%. The Central Core Class A market saw a 79,000 square foot decrease in occupied space over the quarter and vacancy increasing by 43 bps to 1.3%.

The majority of vacant space in downtown is located in Class B and C buildings in the West Core. Vacancy in the West Core increased by 49 bps in Q4 to end the year at 8.9%, as occupied space decreased by 48,000 square feet. East Core vacancy increased by 70 bps.

With softening market conditions, rental rates experienced downward pressure in Q4. The current average net rental rate in Downtown is \$34.55 per square foot, with averages of \$35.55 per square foot for Class A space, \$34.50 per square foot for Class B space, and \$26.22 per square foot for Class C space.

## Downtown Absorption and Vacancy

Q4 2007 - Q4 2008



Source: DTZ Barnicke



### Beltline

Vacancy increased by 104 bps over the fourth quarter to end the year at 5.0%. Occupied space decreased by 49,000 square feet. There continues to be no large block vacancies in existing buildings. There is currently 1.1 million square feet of new development projects underway in the Beltline; of which 52% is preleased. Rental rates experienced downward pressure in Q4. The current average net rental rates are approximately \$24.27 per square foot, with an average of \$25.78 per square foot for Class A space.

### North Calgary

Vacancy decreased by 26 bps in Q4 to end the 2008 at 9.1%. Occupied space increased by 231,000 square feet in Q4, mainly as a result of the completion of Westwinds Business Park Phase 2. Tenants looking for options greater than 10,000 square feet currently have 17 options to choose from; of which 5 are greater than 50,000 square feet. Rental rates have stabilized in the Northeast, and landlords are now offering tenants more inducements to attract them to their buildings.

### Beltline Absorption and Vacancy

Q4 2007 – Q4 2008



Source: DTZ Barnicke

### North Calgary Absorption and Vacancy

Q4 2007 – Q4 2008



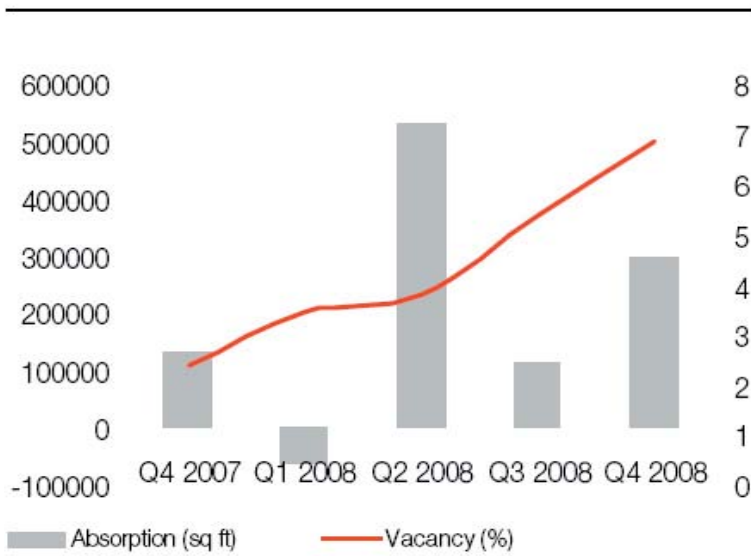
Source: DTZ Barnicke

## South Calgary

Vacancy in South Calgary increased by 147 bps during the fourth quarter to end 2008 at 6.9%. Occupied space increased by 300,000 square feet in Q4 mainly as a result of the completion of Sundance West 1 totaling 270,000 square feet in South Calgary. The South Calgary market continues to be a very active development area with 10 building under construction totaling 787,000 square feet, of which 43% is pre-leased. Rental rates stabilized in Q4, with the average net rental rates currently sitting at approximately \$23.00 per square foot for Class A, \$20.00 per square foot for Class B, and \$17.00 per square foot for Class C office space.

## South Calgary Absorption and Vacancy

Q4 2007 – Q4 2008



Source: DTZ Barnicke

## Calgary Office Market Highlights

Q4 2008

Zone	Q4/08 NRA (square feet)	Q4/08 Direct (square feet)	Q4/08 Sublet (square feet)	Q4/08 Total (square feet)	Vacancy Rate	Q4/08 Occupied (square feet)	YTD growth (square feet)	Weighted average net rent (per square foot)	Under construction (square feet)	YTD completions (square feet)
Downtown	34,614,974	899,867	358,494	1,258,361	3.64%	33,356,613	332,731	\$34.54	5,656,485	862,243
Beltline	4,716,689	141,339	91,908	233,247	4.95%	4,483,442	13,846	\$24.27	1,056,827	245,210
North Calgary	6,610,107	582,437	20,518	602,955	9.12%	6,007,152	500,051	\$20.87	194,856	826,322
South Calgary	7,055,619	391,139	93,446	484,585	6.87%	6,571,034	879,917	\$22.30	786,715	1,063,321
Greater Calgary Total	52,997,389	2,014,782	564,366	2,579,148	4.87%	50,418,241	1,726,545	\$30.12	7,694,883	2,997,096

Source: DTZ Barnicke

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