

Downtown Office Market Analysis

Calgary • Year-end 2023



**BARCLAY
STREET**
REAL ESTATE

LOCAL EXPERTISE MATTERS

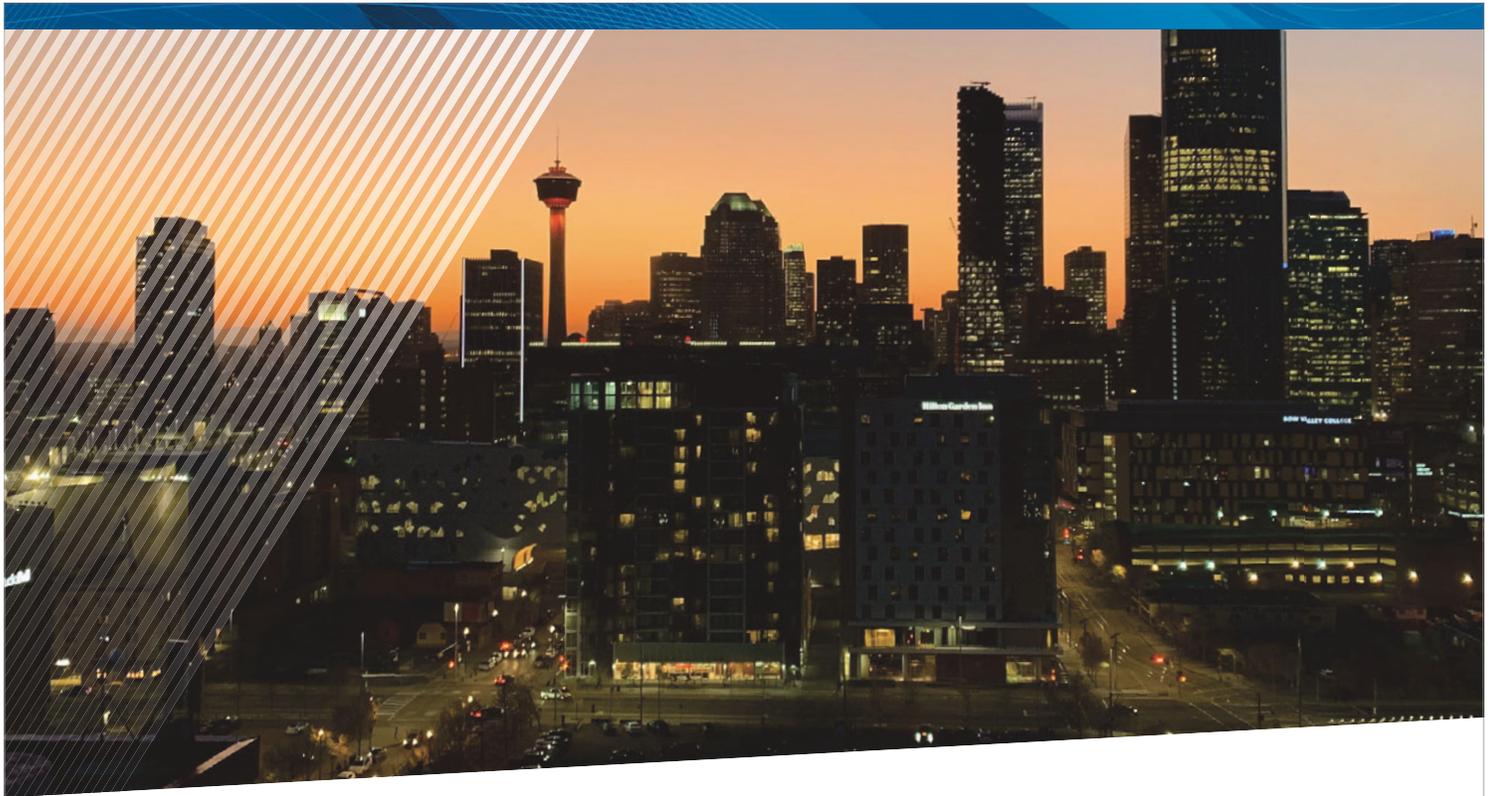


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50 YEARS

1973–2023



Calgary's Year-end Downtown Office Landscape

Overall

20.8%	VACANCY RATE (Space marketed for headlease)
5.3%	BALANCE OF AVAILABLE SPACE (Space marketed for sublease/sub-sublease/office-share, etc.)
26.1%	AVAILABILITY (Total amount of space available for lease/sublease/office-share, etc.)

SIGNIFICANT MOVES, ANNOUNCEMENT AND NOTABLE TRANSACTIONS:



Canadian Natural Resources Ltd. (CNRL) has committed to relocation from Bankers Hall East to Devon Tower and Shell Centre (an approx. 1,000,000 sf between the two buildings.)



AltaGas committed to a 130,000 sf relocation to 707 5th.

Within-class

CLASS AA	8.2% VACANCY 16.6% AVAILABILITY
CLASS A	20.9% VACANCY 26% AVAILABILITY
CLASS B	36.5% VACANCY 38.5% AVAILABILITY
CLASS C	25.5% VACANCY 37.3% AVAILABILITY

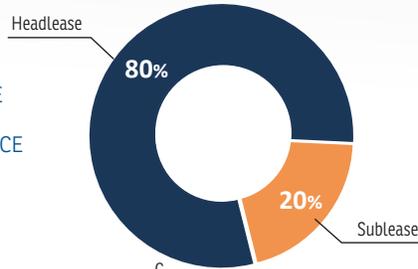
Overall availability – and particularly the vacant component – of Downtown office space decreased through the fourth quarter of 2023 on approximately 395,000 square feet of positive absorption. Calgary's Downtown office market is indeed getting healthier as observed by the ongoing, albeit slow, increase in staff returning to their offices on Mondays and Fridays.

A substantial portion of the final-quarter office activity can be attributed to tenants waiting on the sidelines through much of the year to assess the impact of post-pandemic work-from-home arrangements, many of which have taken the form of three days in the office with two days of remote work. For retail tenants who depend on Downtown foot traffic, this has created a challenging situation, as Friday became the new Saturday in some office properties. As alluded to earlier, there are signs this situation is improving.

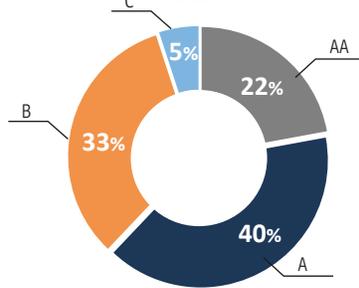
Also providing a 'shot in the arm' the ongoing contraction of Downtown office inventory, with Dominion Centre, Eau Claire Place II and Palliser One being the latest buildings to move forward with office-to-residential conversion preparations through the city's *Downtown Development Incentive Program* (DDIP). Tenants in this building received lease termination notices in the closing months of 2023.

Our Downtown inventory has been reduced by more than 1.4 million square feet through 2023. These adjustments are based on lease termination notices and deferred maintenance announcements indicating that the remaining approved commercial office-to-residential conversions which have been provided grants through DDIP are set to

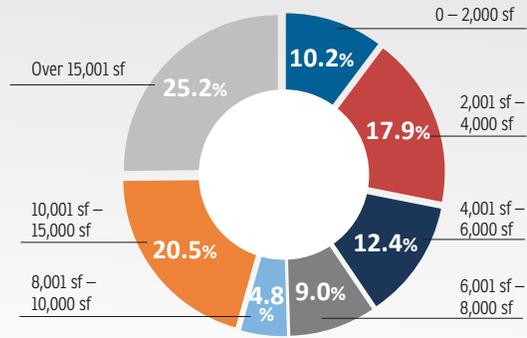
HEADLEASE VS. SUBLEASE DISTRIBUTION OF TOTAL AVAILABLE SPACE



DISTRIBUTION OF TOTAL AVAILABLE SPACE BY BUILDING CLASS



DISTRIBUTION OF OPTIONS BY SIZE RANGE



proceed. The Cornerstone – formerly Lavalin Centre – is set to be the first of the DDIP-incentivized projects to reach completion, which is expected to be in early 2024.

As noted in the graphic below, the program has had the greatest impact on the Downtown West end, where seven buildings comprising more than 725,000 square feet of office space are slated for repurposing. All of these buildings are B and C class product.

Inventory reduction in the B and C property classes is key to reducing the Downtown's stubbornly high vacancy and availability rates, as spaces in these two classes – in this particular part of Downtown – have remained well above average for the better part of a decade. This situation further motivates West End tenants to seek out spaces in higher-quality locations, which kept demand for space in the remaining B and C class properties soft while making AA/A spaces more costly for upgrading tenants.

Downtown Calgary Office to Residential & Hotel Conversions via the Downtown Development Incentive Program



1	DOMINION CENTRE , 665 - 8 ST SW Alston Properties/Slate Asset Management	93,000 sq. ft.
2	THE CORNERSTONE (formerly LAVALIN CENTRE) , 909 - 5 AVE SW PeopleFirst Developments	115,000 sq. ft.
3	ELEMENT HOTEL (formerly CANADIAN CENTRE) , 833 - 4 AVE SW PBA Group of Companies	146,000 sq. ft.
4	UNITED PLACE , 808 - 4 AVE SW United Canadian Investment Inc.	84,000 sq. ft.
5	THE LOFT (formerly OPTIMA PLACE) , 744 - 4 AVE SW Institutional Mortgage Capital	52,000 sq. ft.
6	EAU CLAIRE PLACE I , 525 - 3 AVE SW Cidex Group of Companies	75,000 sq. ft.
7	EAU CLAIRE PLACE II , 521 - 3 AVE SW Pacific Reach Properties Development	131,000 sq. ft.
8	TAYLOR BUILDING , 805 - 8 AVE SW Cressy Development Group	77,000 sq. ft.
9	PETRO FINA BUILDING , 736 - 8 AVE SW PeopleFirst Developments	157,000 sq. ft.
10	PALLISER ONE , 125 - 9 AVE SE Aspen Properties	388,000 sq. ft.
11	TECK PLACE , 205 - 9 AVE SE Cidex Group of Companies	97,000 sq. ft.
TOTAL INVENTORY ADJUSTMENT:		1,415,000 sq. ft.

Opportunities by Building Class and Size

The highest concentrations of available Downtown options continued to be in 10,000 sf or greater. Spaces in the 10,000 sf – 15,000 sf range comprised 20.5% of available options while spaces in the 15,000+ sf range comprised 25.2% of availabilities. Spaces measuring 8,001 sf – 10,000 sf and 6,001 sf – 8,000 sf ranges contained the fewest options at 4.8% and 9%, respectively.

HEADLEASE OPPORTUNITIES BY BUILDING CLASS AND SIZE RANGE

Size Range	AA	A	B	C
0 – 2,000 sf	1	9	60	23
2,001 sf – 4,000 sf	5	21	107	36
4,001 sf – 6,000 sf	5	23	74	16
6,001 sf – 8,000 sf	2	18	50	12
8,001 sf – 10,000 sf	3	7	23	8
10,001 sf – 15,000 sf	6	69	109	11
15,001+	47	100	35	0
Overall	69	247	458	106

SUBLEASE OPPORTUNITIES BY BUILDING CLASS AND SIZE RANGE

Size Range	AA	A	B	C
0 – 2,000 sf	0	3	2	1
2,001 sf – 4,000 sf	4	7	3	1
4,001 sf – 6,000 sf	0	3	5	0
6,001 sf – 8,000 sf	4	3	5	0
8,001 sf – 10,000 sf	1	4	1	0
10,001 sf – 15,000 sf	3	7	2	0
15,001+	41	33	5	0
Overall	53	60	23	2

Distribution of Available Space



VACANCY RATE BY LOCATION

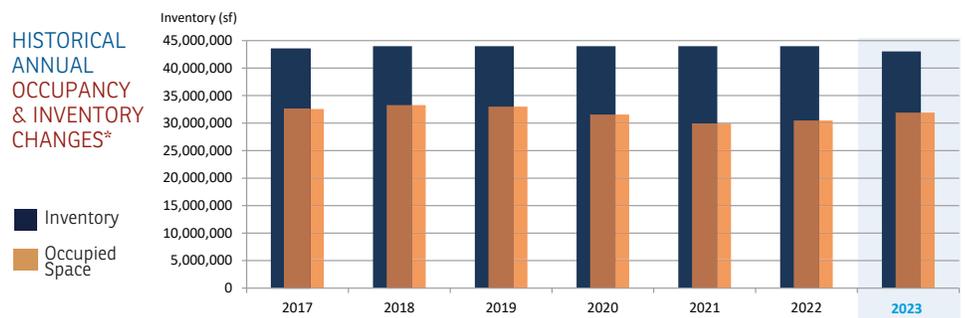
CORE	20.8%
NORTH	19.6%
EAST	27.6%
SOUTH	16.2%
WEST	43.8%

VACANCY BY LOCATION AND CLASS (SF/%)

	AA	A	B	C
CORE	122,485 8.75%	1,187,313 18.28%	792,277 33.96%	78,791 31.42%
NORTH	624,244 13.44%	385,220 30.92%	159,748 247.74%	0 N/A
EAST	971,805 23.71%	337,938 13.81%	770,516 43.12%	247,495 52.61%
SOUTH	329,306 8.70%	917,389 22.92%	83,093 21.76%	34,271 13.97%
WEST	352,156 66.07%	1,511,563 60.89%	1,781,991 34.09%	428,018 37.24%

Changes in Occupancy

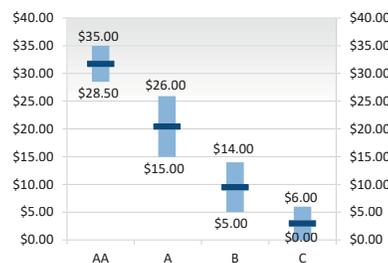
HISTORICAL ANNUAL OCCUPANCY & INVENTORY CHANGES*



* 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



PREPARED BY BARCLAY STREET REAL ESTATE

Anthony B. Scott – Director of Research • 403-294-7164 • ascott@barclaystreet.com
 Wanda Eilers – Senior Associate • 403-703-3070 • weilers@barclaystreet.com
 Bill Falagaris – Executive Vice President • 403-650-2347 • bfalagaris@barclaystreet.com
 Kris Hong – Executive Vice President, Partner • 587-896-8858 • khong@barclaystreet.com
 Murray Ion – Associate • 403-797-3103 • mion@barclaystreet.com
 Allan Jones – Executive Vice President • 403-850-7621 • ajones@barclaystreet.com
 Ian Robertson – Associate • 403-860-2383 • irobertson@barclaystreet.com

