

SUBURBAN OFFICE MARKET ANALYSIS

Current Vacancy at a Glance

OVERALL RATE **19.2%**

↑ + 0.1% FROM Q3 TO Q4

CLASS A **20.6%**

↑ + 0.4% FROM Q3 TO Q4

CLASS B **21.2%**

↓ - 2.6% FROM Q3 TO Q4

CLASS C **11.6%**

↑ + 2.5% FROM Q3 TO Q4

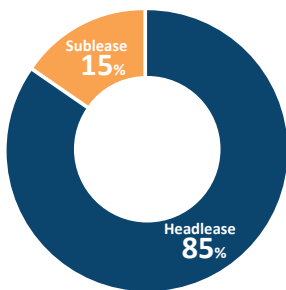
OVERALL VACANCY INCREASED BY JUST 0.1% DURING THE FINAL QUARTER OF 2018.

Leasing activity was muted as the year drew to a close and with vacancy remaining steady, rental rates also showed stability among higher quality properties. Landlords of B and C Class properties have become increasingly motivated to complete leases with less resistance in to maintain their tenant bases. Speaking to the latter, the rent expectation gap between owners and tenants has narrowed significantly but with the very low rents we've seen during the past 24 months, little room remains for negotiation downward.

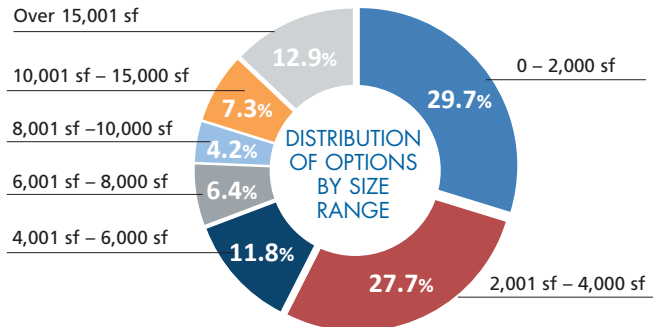
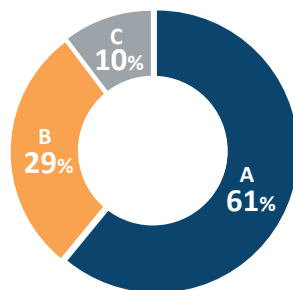
In response to the significant volume of new inventory brought to market during the past four years, we continue to see a considerable number of Landlords with older or less conveniently-accessible properties moving forward with show-suiting programs in hopes of stimulating competitive activity.

Barclay Street Real Estate's vacancy calculation takes into account all space available for occupancy within a 6-month period. An additional 172,000 sf of space becomes available for occupancy from January through June, 2019. Within this coming space is the 90,000 sf **Novatel Building** as a result of the company moving to its purpose-built Hexagon Campus. At year-end, 60,000 sf in existing buildings was advertised for lease 7 – 18 months out. This shadow vacancy brings the future vacancy rate in Calgary's Suburban markets to an estimated 19.4%.

HEADLEASE VS. SUBLEASE DISTRIBUTION

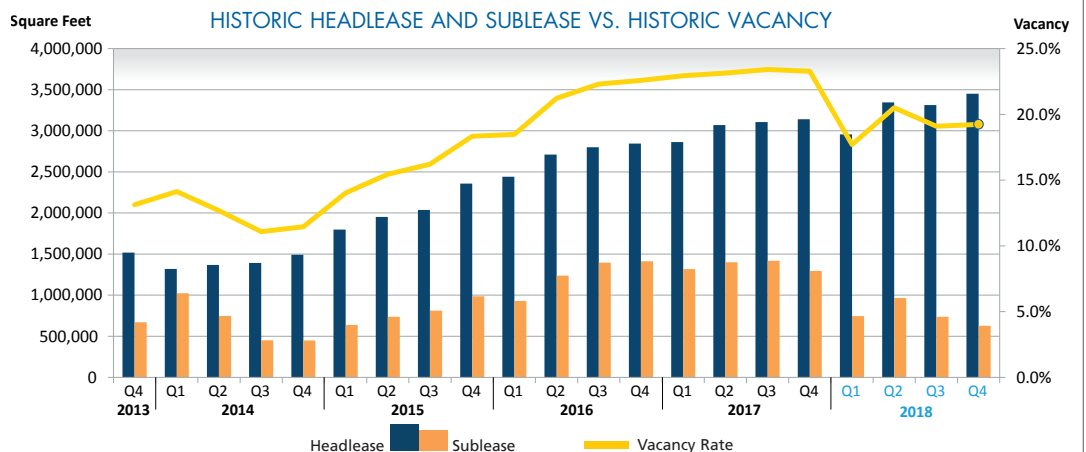


DISTRIBUTION OF TOTAL AVAILABLE SPACE BY BUILDING CLASS



Headlease vs Sublease

Distribution between headlease and sublease space for Q4 2018 shifted notably from the previous quarter, with the former accounting for 85% of the total space while the latter decreased to 15%. This change in distribution is less a reflection of positive sublease activity than it is sublease expiries going back to Landlords for direct lease.



Vacancy by Building Class and Size Range

Considering the total number of options available in the suburban office market, the greatest number of options (30%) measure between 2,000 sf or less, followed closely by spaces measuring 2,001 sf to 4,000 sf (28%). Spaces measuring 8,001 to 10,000 sf comprised the tightest segment of available spaces at just 4.2% of overall availability.

The total number of available headlease options increased substantially to 553 from 501 in Q3 while total sublease options decreased quarter-over-quarter to 42 from to 50.

HEADLEASE OPPORTUNITIES BY BUILDING CLASS AND SIZE RANGE

Size Range	A	B	C
0 – 2,000 sf	22	80	72
2,001 sf – 4,000 sf	62	66	33
4,001 sf – 6,000 sf	23	24	15
6,001 sf – 8,000 sf	14	13	9
8,001 sf – 10,000 sf	14	4	4
10,001 sf – 15,000 sf	20	14	4
15,001+	44	16	0
Overall	199	217	137

SUBLEASE OPPORTUNITIES BY BUILDING CLASS AND SIZE RANGE

Size Range	A	B	C
0 – 2,000 sf	0	2	1
2,001 sf – 4,000 sf	2	2	0
4,001 sf – 6,000 sf	4	1	3
6,001 sf – 8,000 sf	2	0	0
8,001 sf – 10,000 sf	2	1	0
10,001 sf – 15,000 sf	2	3	0
15,001+	16	1	0
Overall	28	10	4

Vacancy by Building Class and Location

The following charts provide more detailed performance insight into the vacancy rates among specific building classes and the impact on the individual suburban submarkets.

NW VACANCY BY BUILDING CLASS

Class	Vacant	Inventory	Vacancy
A	302,332 sf	1,317,476 sf	22.95%
B	109,127 sf	739,264 sf	14.76%
C	66,696 sf	385,321 sf	17.31%
Overall NW	478,155 sf	2,442,061 sf	19.58%

NE VACANCY BY BUILDING CLASS

Class	Vacant	Inventory	Vacancy
A	391,550 sf	2,222,000 sf	17.62%
B	109,127 sf	2,291,563 sf	14.86%
C	175,387 sf	1,857,839 sf	9.44%
Overall NE	676,064 sf	6,371,402 sf	14.24%

SW VACANCY BY BUILDING CLASS

Class	Vacant	Inventory	Vacancy
A	152,258 sf	2,603,539 sf	5.85%
B	361,096 sf	473,978 sf	76.18%
C	149,223 sf	792,591 sf	18.83%
Overall SW	662,577 sf	3,870,108 sf	17.12%

SE VACANCY BY BUILDING CLASS

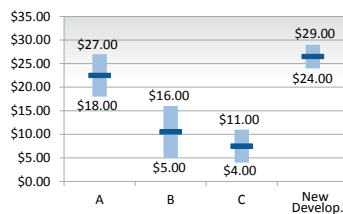
Class	Vacant	Inventory	Vacancy
A	1,639,109 sf	5,899,755 sf	27.78%
B	362,223 sf	2,040,258 sf	17.75%
C	28,886 sf	577,549 sf	5.00%
Overall SE	2,030,218 sf	8,517,562 sf	23.84%

Average Costs

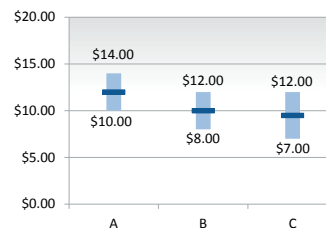
Parking rates and parking ratios range based on location, class, and the age of the building. On average, parking rates are between \$0-\$200/stall with a ratio between 1:300-1:500 sf.

Operating costs vary according to the age and location of the

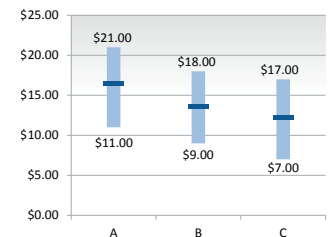
AVERAGE HEADLEASE RATES BY BUILDING CLASS



AVERAGE SUBLEASE RATES BY BUILDING CLASS



OPERATING COSTS BY BUILDING CLASS



building; typically, newer buildings have lower operation costs due to increased HVAC and insulation efficiency but may also offer security and other amenities which will increase these costs.

PREPARED BY BARCLAY STREET REAL ESTATE

www.barclaystreet.com • 403-290-0178



DIRECTOR OF RESEARCH

Anthony B. Scott
ascott@barclaystreet.com

OFFICE LEASING TEAM

Bill Falagaris, Vice President
bfalagaris@barclaystreet.com

Dan Harmsen,
Partner, Vice President, Associate Broker
dharmsen@barclaystreet.com

Kris Hong, Associate
khong@barclaystreet.com

Allan Jones, Vice President
ajones@barclaystreet.com

Ian Robertson, Associate
irobertson@barclaystreet.com

Jonathan Adam, Associate
jadam@barclaystreet.com