

Calgary's Year-End Suburban & Beltline Office Landscape

Market Analysis Year-End 2024

Suburban

83.1% ↑	OVERALL OCCUPANCY RATE (Total leased space)
16.9% ↓	OVERALL VACANCY RATE (Space marketed for headlease only)
18.1% ↓	OVERALL AVAILABILITY (Total amount of space avail. for headlease/sublease/sub-sublease/office-share, etc.)
WITHIN-CLASS	
CLASS A	83.5% ↔ OCCUPANCY 16.5% ↔ VACANCY 17.8% ↓ AVAILABILITY
CLASS B	78.2% ↑ OCCUPANCY 21.8% ↓ VACANCY 22.6% ↓ AVAILABILITY
CLASS C	89.5% ↑ OCCUPANCY 10.5% ↓ VACANCY 11.6% ↓ AVAILABILITY

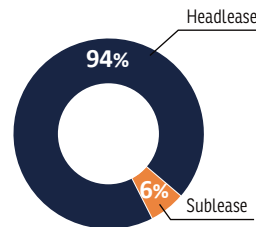
Beltline

83.9% ↑	OVERALL OCCUPANCY RATE (Total leased space)
16.1% ↓	OVERALL VACANCY RATE (Space marketed for headlease only)
20.1% ↓	OVERALL AVAILABILITY (Total amount of space avail. for headlease/sublease/sub-sublease/office-share, etc.)
WITHIN-CLASS	
CLASS A	92.6% ↓ OCCUPANCY 7.4% ↑ VACANCY 14.8% ↓ AVAILABILITY
CLASS B	75.3% ↑ OCCUPANCY 24.7% ↓ VACANCY 25.2% ↓ AVAILABILITY
CLASS C	87.1% ↓ OCCUPANCY 12.9% ↑ VACANCY 13.6% ↓ AVAILABILITY
CHARACTER	66.1% ↑ OCCUPANCY 33.9% ↓ VACANCY 52.4% ↓ AVAILABILITY

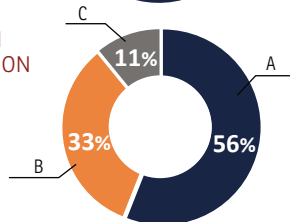
Overall availability – particularly the vacant component – decreased in both the suburban and Beltline markets through the final quarter of 2024. The suburban markets saw occupancy rise by just under half a percent on overall positive absorption of a little more than 200,000 square feet. Availability decreased in three of the four quadrants; the southwest saw a slight increase of about 1%. As for the Beltline, the numbers were more dramatic due to the ongoing transformation of that submarket.

As alluded to above, the newest change – and a substantial one at that – comes with Joffre Place (708 – 11th Ave. SW) becoming the latest office building slated to undergo office-to-residential conversion. With a partial building permit approved for interior partition demolition

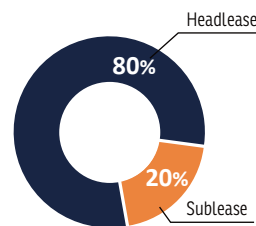
SUBURBAN HEADLEASE VS. SUBLEASE DISTRIBUTION



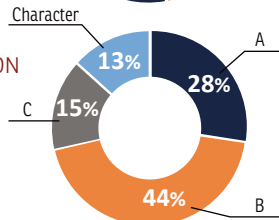
SUBURBAN DISTRIBUTION OF TOTAL AVAILABLE SPACE BY BUILDING CLASS



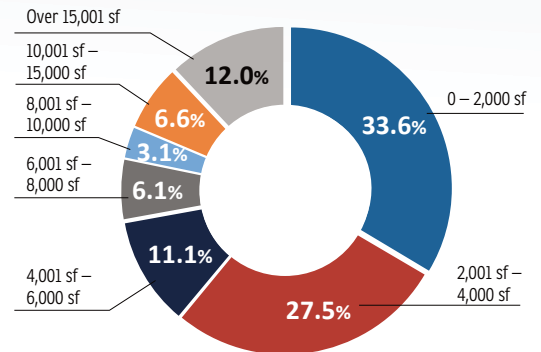
BELTLINE HEADLEASE VS. SUBLEASE DISTRIBUTION



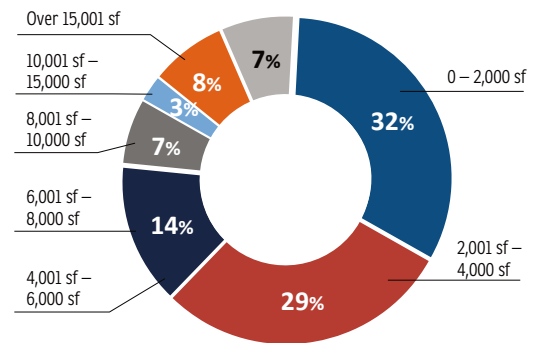
BELTLINE DISTRIBUTION OF TOTAL AVAILABLE SPACE BY BUILDING CLASS



SUBURBAN DISTRIBUTION OF OPTIONS BY SIZE RANGE



BELTLINE DISTRIBUTION OF OPTIONS BY SIZE RANGE



and current office tenants having been moved to short-term leases, we've removed this building from our office inventory. This newest change reduces the Beltline inventory of B-class office space and makes a substantial positive stride toward driving down the stubbornly high vacancy and availability rates in this class.

The above reduction and coinciding removal of approx. 77,000 sf of space being marketed for headlease had several effects on this seemingly ever-shrinking submarket. Firstly, the vacancy rate decreased in the absence of the aforementioned headlease space and secondly, the elimination of that space almost singlehandedly changed the ratio of available headlease-to-sublease space. There were approximately 40,000 additional square feet of sublease space in Q4 (~294,000 sf) vs. ~253,000 sf in Q3 but in a 7.3 million square foot submarket, this is a drop in a bucket.

In the suburban submarkets, we began to notice a shortage of move-in ready smaller suites emerging as a result of the increased leasing activity we tracked. The number of suites in reasonably good condition

that require minimal touch-ups began disappearing quickly, causing a split in the quality of spaces available to the average tenant. Large, well-financed tenants with the ability to sign long-term leases got access to newly renovated and upgraded spaces in places like Southland Park where significant expenditures have been made to attract higher-quality tenants. Meanwhile, small-to-midsized tenants without plump balance sheets needed to lower their expectations and be ready to take on the costs of renovations.

Exacerbating the above is the fact that the last major commercial office building boom is the better part of a decade in the past. This is an enduring reminder of the oil price war that began in 2014 and lasted in 2016 – during which the global economy faced an ~70% price drop was one of the three biggest declines since World War II and the longest lasting since the 1980s*. The spike in corporate downsizings in Calgary put an end to the commercial office construction boom that introduced A-class inventory such as Fountain Court, Westmount Corporate Campus and Quarry Crossing bldgs. A & B in the suburbs and 11th Avenue Place and Place 10. Now, many of those buildings are in need of touch-ups to keep current and despite their relative newness, nonetheless face similar pressures as older product.

* World Bank Blogs. <https://blogs.worldbank.org/en/developmenttalk/what-triggered-oil-price-plunge-2014-2016-and-why-it-failed-deliver-economic-impetus-eight-charts>

Opportunities by Building Class and Size

SUBURBAN OPPORTUNITIES BY BUILDING CLASS AND SIZE RANGE

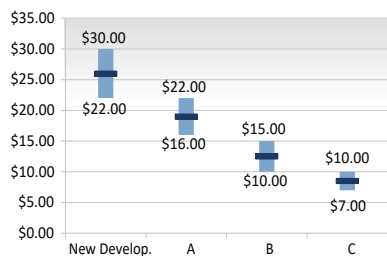
Size Range	HEADLEASE			SUBLEASE		
	A	B	C	A	B	C
0 – 2,000 sf	10	95	64	7	3	1
2,001 sf – 4,000 sf	30	71	40	3	3	1
4,001 sf – 6,000 sf	17	24	12	1	2	2
6,001 sf – 8,000 sf	11	12	6	1	2	1
8,001 sf – 10,000 sf	9	5	2	0	1	0
10,001 sf – 15,000 sf	15	16	2	3	0	0
15,001+	38	19	3	4	0	1
Overall	130	242	129	19	11	6

BELTLINE OPPORTUNITIES BY BUILDING CLASS AND SIZE RANGE

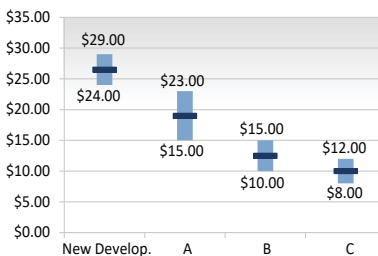
Size Range	HEADLEASE				SUBLEASE			
	A	B	C	Char	A	B	C	Char
0 – 2,000 sf	3	50	27	4	3	1	0	0
2,001 sf – 4,000 sf	2	53	10	9	4	0	1	0
4,001 sf – 6,000 sf	3	23	6	3	3	1	0	0
6,001 sf – 8,000 sf	4	9	2	1	1	1	0	0
8,001 sf – 10,000 sf	2	3	0	0	1	0	1	0
10,001 sf – 15,000 sf	2	12	1	2	3	0	0	1
15,001+	5	3	1	3	5	0	0	3
Overall	21	153	47	22	20	3	2	4

Average Asking Rates

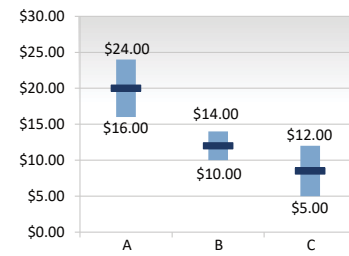
AVERAGE SUBURBAN NORTH ASKING RATES BY BUILDING CLASS



AVERAGE SUBURBAN SOUTH ASKING RATES BY BUILDING CLASS



AVERAGE BELTLINE ASKING RATES BY BUILDING CLASS



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LOCAL EXPERTISE MATTERS

Availability by Building Class and Location

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

SUBURBAN NW AVAILABILITY BY BUILDING CLASS

Class	Vacant	Inventory	Vacancy
A	142,154 sf	1,330,882 sf	10.68%
B	144,515 sf	739,264 sf	19.55%
C	65,652 sf	385,321 sf	17.04%
Overall NW	352,321 sf	2,455,467 sf	14.35%

SUBURBAN NE AVAILABILITY BY BUILDING CLASS

Class	Vacant	Inventory	Vacancy
A	295,871 sf	2,334,123 sf	12.68%
B	144,515 sf	2,291,563 sf	22.37%
C	175,372 sf	1,857,839 sf	9.44%
Overall NE	615,758 sf	6,483,525 sf	15.18%

SUBURBAN SW AVAILABILITY BY BUILDING CLASS

Class	Vacant	Inventory	Vacancy
A	720,463 sf	2,603,539 sf	27.67%
B	287,125 sf	473,978 sf	60.58%
C	108,778 sf	792,591 sf	13.72%
Overall SW	1,116,366 sf	3,870,108 sf	29.13%

SUBURBAN SE AVAILABILITY BY BUILDING CLASS

Class	Vacant	Inventory	Vacancy
A	987,933 sf	5,795,487 sf	17.05%
B	324,461 sf	2,122,364 sf	15.29%
C	68,565 sf	577,549 sf	11.87%
Overall SE	1,380,959 sf	8,495,400 sf	16.30%

BELTLINE AVAILABILITY BY BUILDING CLASS

Class	Vacant	Inventory	Vacancy
A	403,107 sf	2,728,573 sf	14.77%
B	645,098 sf	2,564,284 sf	25.16%
C	222,224 sf	1,630,663 sf	13.63%
Character	195,295 sf	372,505 sf	52.43%
Overall Beltline	1,465,724 sf	7,296,025 sf	20.09%