

Calgary

Economic downturns often spur innovation and creative solutions

As Calgary emerges from three years of recession, new attitudes and approaches to the established commercial real estate market are being unveiled.

Many landlords are considering what alternatives are available for their older, less-desirable office properties. While many landlords have considered office-to-residential conversion, **Artis REIT** is the first one to announce that they have found this concept to be viable for one of their Calgary properties. **Sierra Place** (706 – 7th Avenue SW) is a 92,000-square foot (sf), class C office building in Downtown Calgary, built in 1958. A development permit has been filed to convert the building into a 72-suite residential rental building. It is believed that this will be the first of many buildings to undergo such a conversion, or alternatively, be considered for demolition and redevelopment.

Removing some older, obsolete buildings from Calgary's office inventory will help with the overall vacancy issue, but will not be the solution alone. Growing existing businesses and developing and attracting new ones has an even greater potential to absorb vacant space.

While there is a long-term strategy in place to grow the economic vitality of Calgary, allow for a momentary indulgence in fantasy. What would it mean to Calgary to win the **Amazon HQ2** Request for Proposal (RFP)?

Numerous articles have already been written about why Calgary is such a great

fit. **Avison Young** completely agrees and gives full endorsement and support to **Calgary Economic Development** and its partner groups in the bid they will be putting forward. This will be a wholistic pitch, covering all aspects of life in Calgary and will cover all the options to be considered locally.

Calgary's biggest disadvantage lies in what levers can be pulled from an incentive standpoint. Canadian municipalities in general do not have the same abilities that U.S. cities/regions/states have to provide financial or tax-based incentives. The good news is that all three levels of government have indicated that they will support this pitch and fully-explore creative options.

Most, if not all, of the landlords and developers in Calgary would be willing to go great lengths to secure such a tenant, especially if it means diversifying their portfolio away from the energy sector. Traditionally, 70% of Downtown Calgary was energy sector companies. However, with the recent downturn in that sector causing these companies to shed up to 50% of their combined space, vacancy in the Calgary's Downtown office market has skyrocketed to over 26%.

There are almost 12 million square feet (msf) of space currently available in Calgary's highly-concentrated, well-connected and well-serviced downtown office market.

Amazon's initial requirement of 500,000 sf and preliminary plan to grow to 3 msf within the first few years could easily be housed within the downtown market. This alone could take Calgary's Downtown office vacancy rate down

Market Facts

23.1%

Calgary Overall Vacancy

25.7%

Downtown Vacancy

17.3%

Beltline Vacancy

15.4%

Suburban North Vacancy

23.6%

Suburban South Vacancy

over a full percentage point immediately and around seven percentage points in the first five years.

The 15-year vision of up to 50,000 employees and 8 msf of office space, could grow organically within the downtown core as additional building could be optioned or developed. All in, 8 msf of leasing would reduce Calgary's downtown office vacancy rate by roughly 18 percentage points. Alternatively, while **Amazon** settles into Calgary, they could start development of a large campus-style development on one or more of a number of suitable sites.

Cluster growth would also be inevitable. There would be companies that follow **Amazon** to Calgary and there would be new start-ups that would enhance and grow the sector within the city. Business

After seeing the worst vacancy rate in recent history for a major, North American metropolitan market, Downtown Calgary reached its peak vacancy for this downturn at 26.4% in second quarter 2017.

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CALGARY OVERALL

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and workforce would be highly-attracted to the marketplace. This would add to the consumption of office space and available talent pool.

Calgary's labour market hit a 24-year high for unemployment rate in November 2016 at 10.2%. While it has shrunk back to 8.5% as of August 2017, there are still 77,700 people looking for work according to the **Statistics Canada Labour Force Survey**.

While this **Amazon HQ2** is not a silver bullet that would solve all of Calgary's economic woes, it, together with associated industry growth, and continuing positive general economic growth would vastly improve our local economic position and vitality. It certainly is nice to dream sometimes.

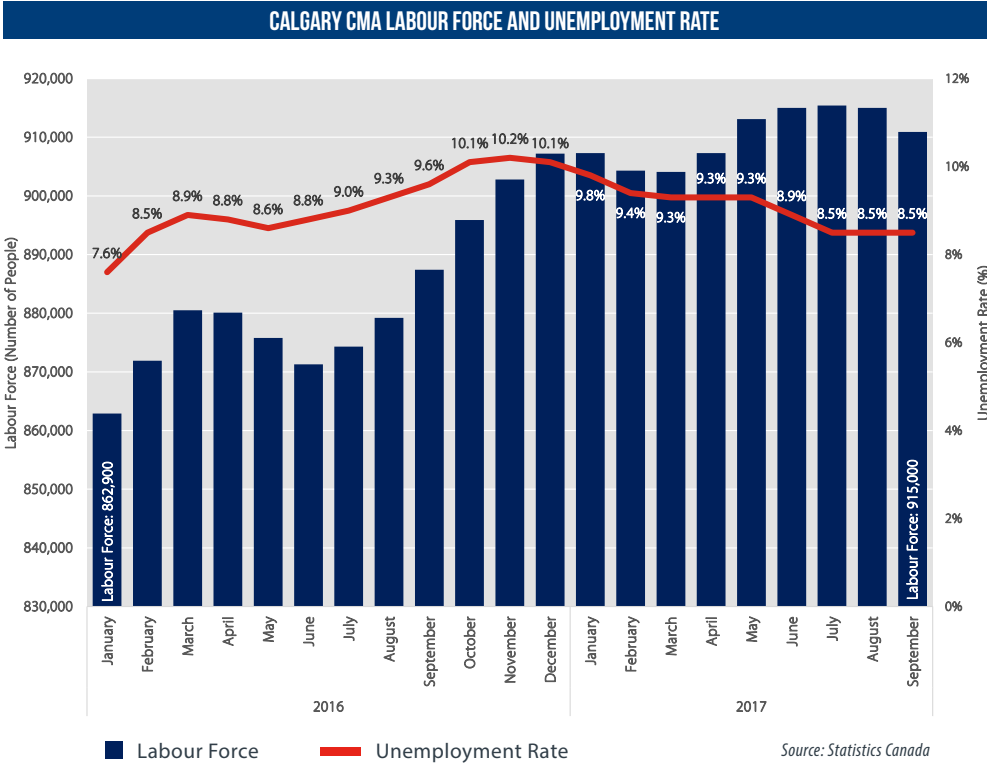
Calgary Overall



The Calgary office market saw its overall vacancy rate shrink from 23.5% to 23.1% during the third quarter of 2017. This decrease was due to a combination of leasing activity, the withdrawal of some larger sublease availabilities from the market, and the removal of a couple of buildings from inventory due to redevelopment.

Large, contiguous blocks of office space continue to stand out in the market analysis. Contrary to the prevailing beliefs, these blocks are available predominantly on a headlease basis. Large block space, defined as one contiguous availability over 100,000 sf in the Downtown market, or over 30,000 sf in the Beltline and surrounding suburban markets, represent between 23% and 59% of the availability for their market segments.

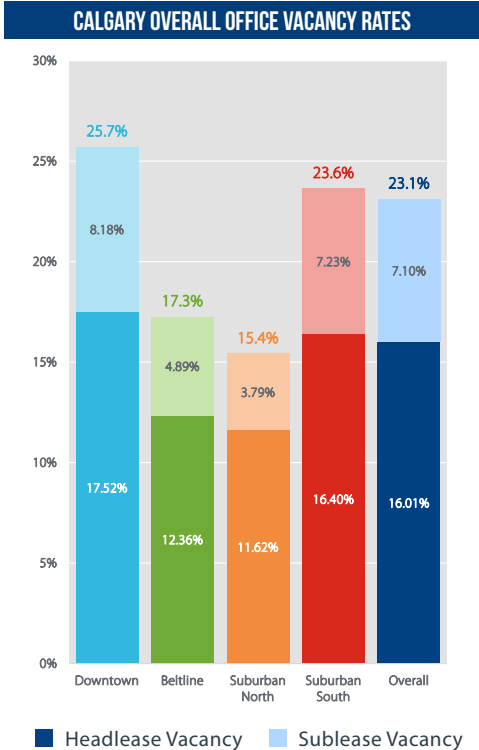
Absorption for the overall Calgary office market was positive for the second quarter in a row, with 16,000 square feet (sf) being absorbed in third quarter 2017. That being said, the Downtown market



was the only area of the city in the third quarter of 2017 to show positive absorption results.

Quoted taxes and operating costs average \$17.91 psf for all building classes, across the entire city. Class AA buildings average \$23.46 psf, class A buildings average \$18.91 psf, class B buildings average \$17.07 psf, and class C buildings average \$14.41 psf. These numbers are further broken down within the specific area of city sections later in this report. However, it is important to note that assessments for office properties are falling across the city. Small decreases were seen in some categories versus last quarter, and it is expected that property taxes in the downtown will continue to decline in the near future.

There were no new buildings completed in third quarter 2017. Approximately 738,000 sf of new office space, in six buildings, remains under construction across Calgary. The majority of this is in Downtown (62%), followed by the Suburban North (24%), Beltline (9%), and Suburban South (5%). Very little new construction is anticipated to be announced in the city for several years, given the widespread availability across the entire Calgary office market.



While energy and energy servicing companies continue to make up a large share of the leasing transactions being recorded, growth from areas such as information and technology, not-for-

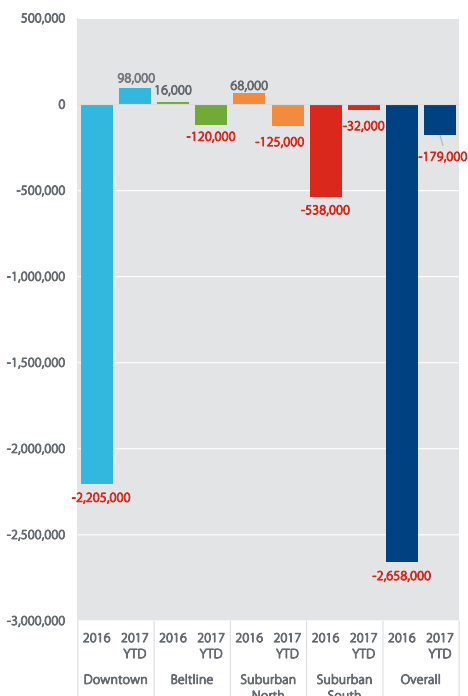
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profits, government, business services and green technology are definitely being noticed. Also, activity by smaller tenants is growing noticeably. Demand for space under 5,000 sf continues to be high. However, due to an abundance of existing options in this size range and pressure on landlords to demise down larger blocks of space that aren't moving, rental rates remain competitive and inducements (such as free rent and improvement allowances) are substantial in many cases. Meanwhile, the market for large pockets of space will continue to have significant competition beyond 2017, maintaining the downward pressure on rental rates within this category.

Avison Young believes that in many cases, 2017 will be a great time to lock in a new lease of three years or longer or for restructuring of an existing lease. Rental rates appear to offer good value today. They are down between 20% to 60% from three years ago, depending on the market segment.

CALGARY ANNUAL ABSORPTION BY AREA OF CITY



CALGARY FOUNDATION

Quality of Life Survey Findings

TOP FIVE THINGS THAT WOULD IMPROVE OVERALL QUALITY OF LIFE IN CALGARY:



18%

Improve Public Transportation

9%



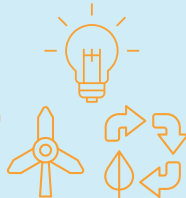
Improvements to Government spending/taxpayer money



9%

Better planned neighbourhoods

8%



More diverse economy/better economy

FOCUS on Investment



The Calgary office investment market has continued to see pricing established for quality buildings and value add opportunities. Where 2015 and 2016 did not have enough trades to truly substantiate what market prices were, 2017 has seen a more aggressive approach. Between the **Slate, Bentall Kennedy** and private office purchases recorded, market price per square foot can now clearly be determined for a wide variety of office transactions. Capitalization rates, however, remain challenging to pinpoint.

As vacancy stabilizes and sentiment both in the city and towards Calgary as a commercial real estate investment market continues its positive turn, it becomes more obvious that the bottom has been found on the investment side of Calgary's office market. Groups trying to replicate the deals recently seen will be hard pressed to find similar opportunities. Vendors willing to trade high-quality assets at such deeply discounted prices are anticipated to rapidly become much harder to find.

"Calgary's environmental performance is among the best of all Canadian cities due to City programs that have significantly reduced our environmental footprint."

Calgary Foundation



90%

Are committed to recycling as often as they can.

89%



Dispose of items with corrosive, toxic or flammable materials in an environmentally conscious manner.

The Calgary Foundation, an organization that facilitates collaborative philanthropy by making powerful connections between donors and community organizations for the long-term benefit of Calgary & Area, recently released its 2017 edition of **Calgary's Vital Signs**. This report features expert research and citizen survey results on quality of life in Calgary.

GET THE FULL REPORT [HERE](#)

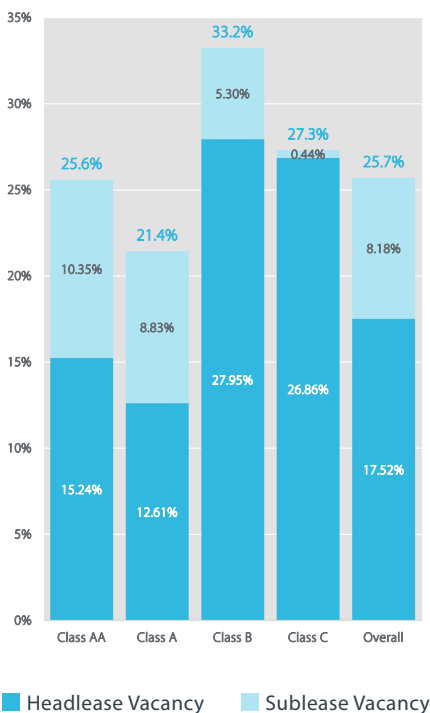
Downtown



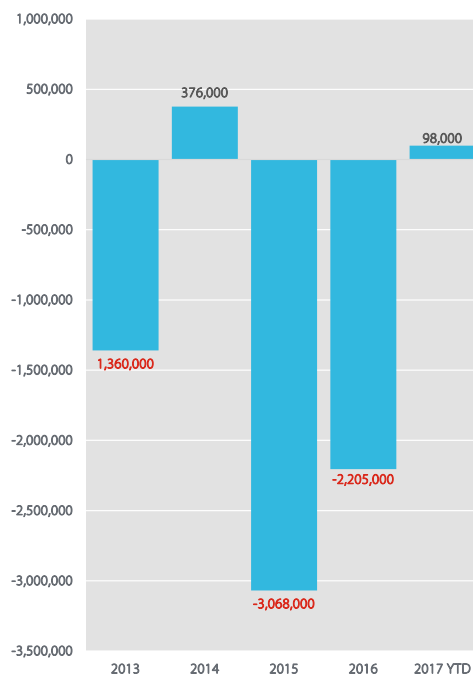
After the hottest summer in half a century, the downtown Calgary office market received some great news. Vacancy decreased during the third quarter of 2017. This was the result of a combination of the high level of leasing activity, the withdrawal of large sublease listings in **Dome Tower** and **Western Canadian Place, South**, and the removal of Sierra Place from inventory. As a result, vacancy is now 25.7%. This is down from 26.4% in second quarter 2017, but up from 22.9% 12 months ago in third quarter 2016.

This is particularly positive news for the downtown office market, as no absorption of the newly completed **Brookfield Place** tower, added to inventory in second quarter 2017, has taken place yet. Fixturing and occupancy have not taken place yet. This building was added to the marketplace with no occupancy or absorption, and will be phased in as

DOWNTOWN CALGARY OFFICE VACANCY RATES



DOWNTOWN CALGARY ANNUAL OFFICE ABSORPTION



tenants move from their existing space. Once this takes place, there will be a further positive bump in absorption, as the trailing space from these tenants is already on the sublease market.

Total vacancy for the Downtown office market is 11.6 msf, broken down by: 7.9 msf of headlease space (68%) and 3.7 msf of sublease space (32%). It is anticipated that sublease availability will continue to be seen transitioning to headlease availability over the course of the next year as sublease terms continue to expire.

Third quarter 2017 saw positive absorption for class AA and B buildings and negative absorption for class A and C buildings. Over the last three months, class AA buildings saw positive 127,000 sf of absorption, class A saw negative (-25,000 sf) of absorption, class B saw positive 60,000 sf of absorption, and class C saw marginally negative absorption. Vacancy by class is now: class AA – 25.6%, class A – 21.4%, class B – 33.2%, and class C – 27.3%.

The amount of space coming onto the market has slowed down substantially.

Absorption in the Downtown office market for second quarter 2017 was positive 162,000 sf. Year-to-date downtown Calgary has a cumulative positive absorption of 98,000 sf. This is a noticeable improvement over the negative (-3.1 msf) of absorption recorded in 2015 and negative (-2.2 msf) of absorption recorded in 2016. Thanks to the extreme nature of the downturn over the last few years, the 5-year average annual absorption is negative (-1,140,000 sf per year) and the 10-year average annual absorption is a nominal 31,000 sf per year. This has resulted in Calgary's Downtown occupancy now being at a similar level to where it was ten years ago, when vacancy was at its record low.

Average asking rents for headlease space in Downtown range between \$4 and \$38 per square foot, per annum. New Construction buildings typically range between \$34 and \$38 psf, with the average being approximately \$36 psf. Class AA buildings typically range between \$22 and \$28 psf, with the average being approximately \$24 psf. Class A buildings typically range between \$14 and \$18 psf, with the average being approximately \$17 psf. Class B buildings typically range between \$8 and \$12 psf, with the average being approximately \$10 psf. Class C buildings typically range between \$4 and \$7 psf, with the average being approximately \$6 psf. Location, building quality, size of space, and length of term will all play into ultimately determining what the asking rate for a property is. Sublease opportunities can offer substantial discounts from these rates and vary widely.

Similarly, quoted taxes and operating costs average \$21.11 psf for all building classes, in the Downtown market. Class AA buildings average \$23.46 psf, class A buildings average \$21.03 psf, class B buildings average \$18.07 psf, and class C buildings average \$16.16 psf.

There are 14 availabilities on the market in Downtown Calgary that have over 100,000 sf available as one contiguous block. These

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14 blocks of space represent 23% of the total availability of space in the Downtown market and 63% of this space is available on a headlease basis.

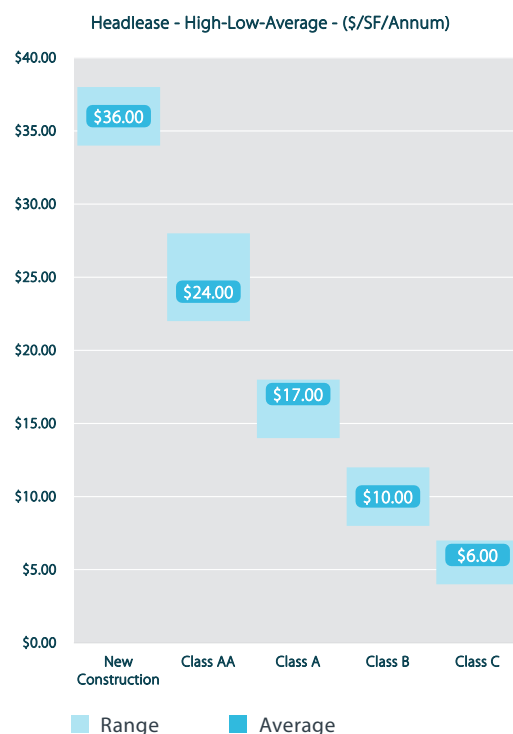
Brookfield Place Calgary – East was added to inventory in second quarter 2017. This 1.4 msf office tower is 79% pre-leased, but the occupancy for the building will be phased in over the next several quarters as it will take time for fixturing and move-in to be completed. This one building increased the downtown office inventory by 3%. As a result of the current economic conditions and weak demand for space no new development is expected to be announced in Calgary's downtown core for several years.

The last remaining office building under construction in downtown Calgary is **TELUS Sky**. It contains 460,000 sf of new

office space, which will result in a 1% increase in inventory, and is 39% pre-leased - with over a year to go before occupancy starts to take place.

Looking to the future, without a substantial change in the Calgary economy, **TELUS Sky** will potentially push vacancy up to 28%, using pessimistic assumptions. The current realistic prediction is that absorption will be flat for the remainder of 2017 and the first half of 2018, positive 100,000 sf in each of Q3 and Q4 2018, and rising to 150,000 sf per quarter in 2019 and beyond. These reasonable assumptions indicate that Q2 2017 was the peak vacancy for this downturn, at 26.4%, resulting in vacancy reaching just shy of that mark when **TELUS Sky** comes online and trending downwards thereafter.

DOWNTOWN CALGARY OFFICE MARKET AVERAGE ASKING RENTS



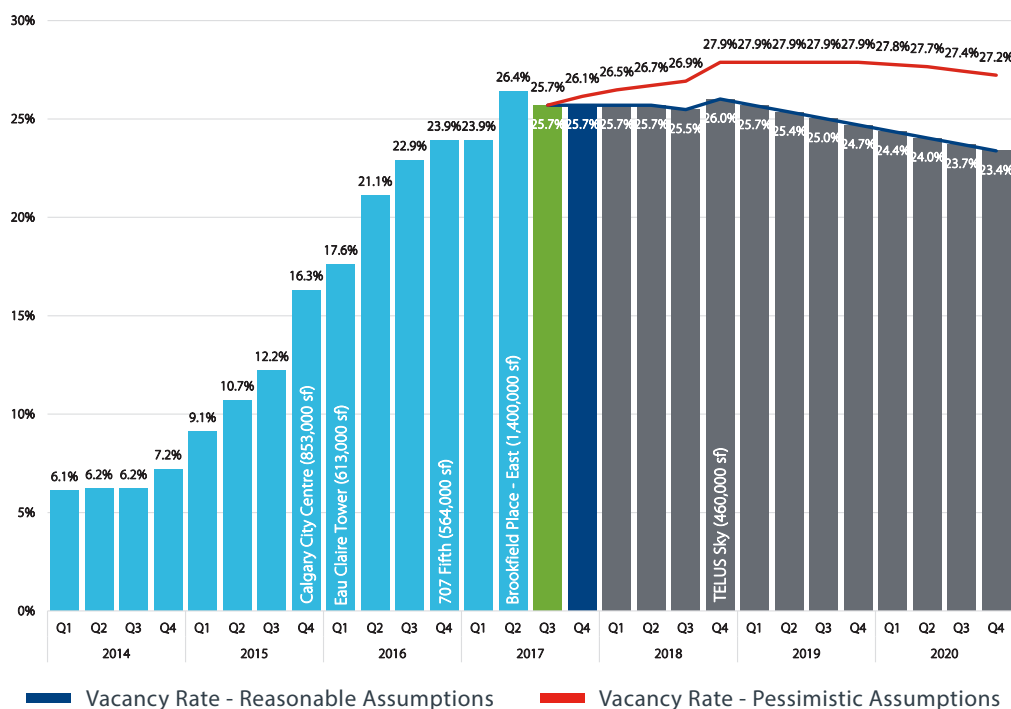
Source: Conference Board of Canada



2017 Downtown Calgary Parking Survey
FIND OUT WHAT CURRENT AVERAGE MONTHLY PARKING RATES ARE IN
AVISON YOUNG'S 2017 DOWNTOWN CALGARY PARKING SURVEY INFOGRAPHIC



DOWNTOWN CALGARY OFFICE HISTORICAL AND PROJECTED VACANCY



Reasonable Assumptions:

2017: Flat absorption in Q4

2018: Flat absorption in Q1 and Q2, positive 100,000 sf in each of Q3 and Q4

2019 and beyond: Positive 150,000 sf in each quarter

Pessimistic Assumptions:

2017: Negative 200,000 sf in Q4

2018: Negative 150,000 sf in Q1, and negative 100,000 sf in each of Q2, Q3 and Q4

2019: Flat absorption

2020: Positive 50,000 sf in each of Q1 and Q2, positive 100,000 sf in each of Q3 and Q4

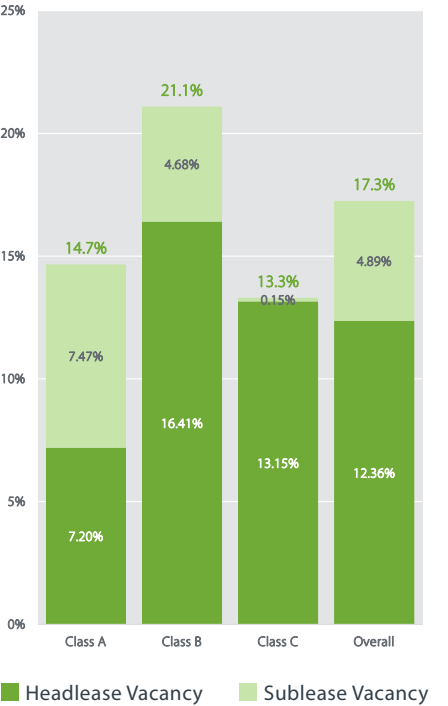
Beltline



The vacancy rate in the Beltline office market edged upwards again to sit at 16.9% in second quarter 2017. This is up from 16.4% in first quarter 2017, but down from 17.7% 12 months ago in second quarter 2016. The current vacancy also remains below the peak of 19.1% recorded in third quarter 2016.

Interestingly, this increase in vacancy comes about even though headlease space decreased 39,000 sf this quarter. The direct cause is an increase of 86,000 sf within the sublease market. Total vacancy for the Beltline office market is 1.4 msf, broken down by: 1,023,000 sf of headlease space (73%) and 387,000 sf of sublease space (27%).

BELTLILNE CALGARY OFFICE VACANCY BY CLASS



Looking at the breakdown between building classes, second quarter 2017

saw negative absorption for class A and class C buildings and positive absorption for class B buildings. Over the last three months class A buildings saw negative (-83,000 sf) of absorption, class B saw positive 66,000 sf of absorption, and class C saw negative (-30,000 sf) absorption. Vacancy by class is now: class A – 14.4%, class B – 20.3%, and class C – 14.1%.

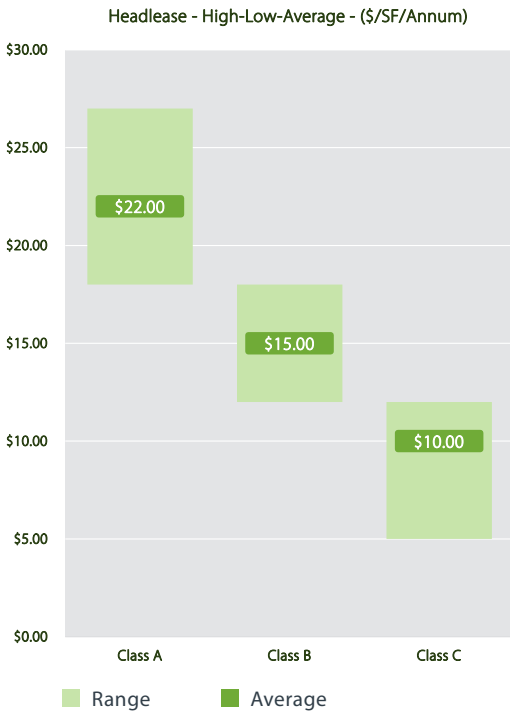
Absorption in the Beltline office market for second quarter 2017 was negative (-47,000 sf). While it is unfortunate that negative absorption has returned for a second consecutive quarter, this was the smallest negative quarterly absorption in over two years. The Beltline office market’s 5-year average annual absorption is 187,000 sf per year and the 10-year average is 209,000 sf per year.

Average asking rents for headlease space in the Beltline range between \$5 and \$27 per square foot, per annum. Class A buildings typically range between \$21 and \$27 psf, with the average being approximately \$22 psf. Class B buildings typically range between \$12 and \$18 psf, with the average being approximately \$15 psf. Class C buildings typically range between \$5 and \$12 psf, with the average being approximately \$10 psf. Location, building quality, size of space, and length of term will all play into ultimately determining what the asking rate for a property is. Sublease opportunities can offer substantial discounts from these rates and vary widely.

Similarly, quoted taxes and operating costs average \$18.21 psf for all building classes, in the Beltline market. Class A buildings average \$19.91 psf, class B buildings average \$17.33 psf, and class C buildings average \$16.42 psf.

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BELTLINE CALGARY OFFICE MARKET AVERAGE ASKING RENTS



According to **ATB Financial's Business Beat Index**, which measures Alberta business owners' confidence in their own business operations, economic optimism is up compared to the past two years:

[CLICK HERE](#)

Calgary is the best city in North America for drivers, according to a global survey | **ACBC Agency**: For the story [CLICK HERE](#)



Calgary Q3 2017 Office Market Statistics

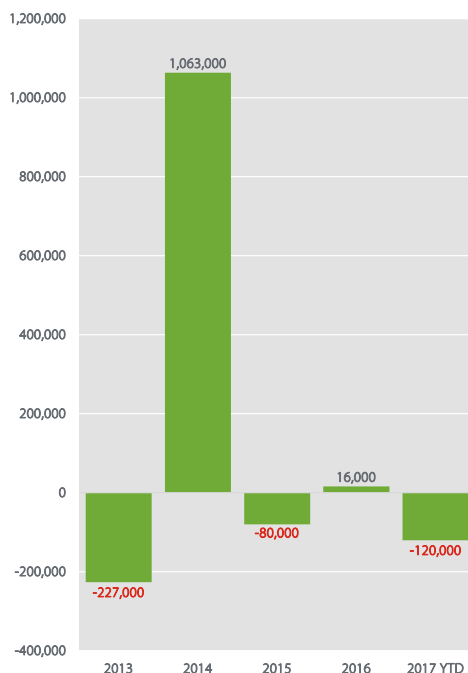
[DOWNLOAD CHART HERE](#)

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There are nine availabilities in Beltline Calgary with more than 30,000 sf available as one contiguous block. These nine blocks of space represent 26% of the total availability of space in the Beltline office market and 55% of this space is available on a headlease basis.

No new projects commenced in second quarter, however two projects, **14th Street Office Building** at 1506 – 11th Avenue SW and **Mount Royal West**, remain under construction. These building contain a total area of 66,000 sf and combined are 47% pre-leased at this time - with all of this pre-leasing being in the **14th Street Office Building**.

BELTLINE CALGARY ANNUAL OFFICE ABSORPTION



Glossary of Terms

Absorption – The change in occupied space.

Added to Inventory – Buildings are added to the existing inventory six months prior to their construction completion date.

Build-to-Suit or Purpose-Built – A building that is constructed specifically for a tenant or owner/user.

Headlease – Space that is available to lease directly from the owner, property manager or landlord for a building.

Sublease – Space that is available to lease from a tenant that has an existing lease on the space from the owner, property manager or landlord of the building.

CALGARY Q2 2017 NOTABLE OFFICE LEASING TRANSACTIONS

Downtown

Tenant	Building Name	Address	Size (sf)	Deal Type
Kymbask Management*	Gulf Canada Square	401 - 9th Avenue SW	27,000	Sublease - New
Loram 99 Corporation*	The Edison	150 - 9th Avenue SW	16,000	Headlease - New
Phillips 66*	Gulf Canada Square	401 - 9th Avenue SW	13,000	Sublease - New

Beltline

Tenant	Building Name	Address	Size (sf)	Deal Type
Founders Advantage Capital*	Maxwell Bates Block	2207 - 4th Street SW	6,500	Sublease - New
Govan Brown Construction Managers*	Maxwell Bates Block	2207 - 4th Street SW	6,000	Sublease - New
Strata Realty Corporation*	Mount Royal Place	1414 - 8th Street SW	6,000	Headlease - Renewal

Suburban North

Tenant	Building Name	Address	Size (sf)	Deal Type
McMan Youth, Family & Community*	Zurich Court	1565 - 27th Avenue NE	22,000	Headlease - New
The City of Calgary*	Stockman Centre	2116 - 27th Avenue NE	15,000	Headlease - New
PCL Construction Management*	Zurich Court	1565 - 27th Avenue NE	14,000	Headlease

Suburban South

Tenant	Building Name	Address	Size (sf)	Deal Type
Horizon Academy Institute*	Currie Barracks B4	2452 Battleford Avenue SW	26,000	Headlease - New
Galvanic Applied Sciences*	7000 Fisher Road SE	7000 Fisher Road SE	22,000	Headlease - Renewal
Cortex Business Solutions*	Quarry Central	115 Quarry Park Blvd SE	15,000	Sublease - New

* Indicates transactions Avison Young was involved in

SUBURBAN

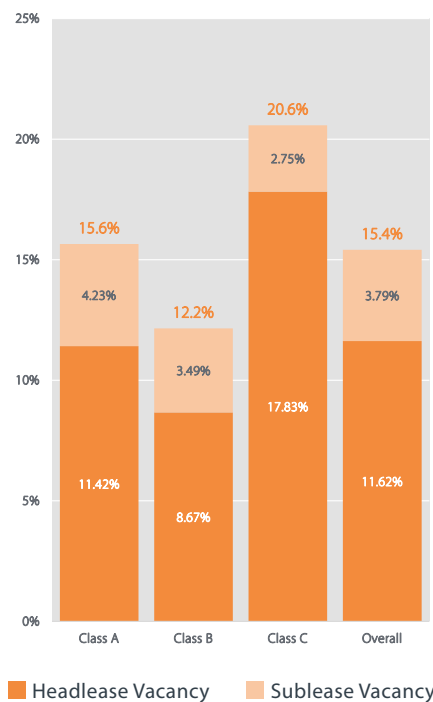
Suburban North



The Suburban North office vacancy rate decreased to 15.4% in third quarter 2017, down from 16.1% in second quarter 2017, and from 21.3% 12 months ago. Headlease space decreased by 86,000 sf, while sublease space increased by 17,000 sf during the last three months. Total vacancy for the Suburban North office market is 1.5 msf, broken down by 1.13 msf of headlease space and 368,000 sf of sublease space.

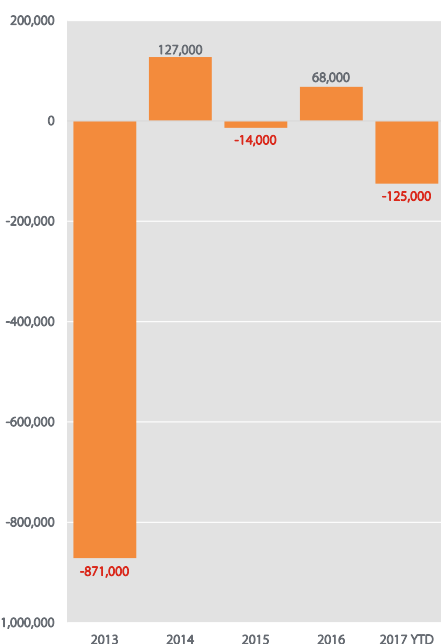
Third quarter 2017 saw negative absorption for class A buildings, and positive absorption for class B and C buildings in the Suburban North. Vacancy by class is now: class A – 15.6%, class B – 12.2%, and class C – 20.6%. This opposition of falling vacancy and negative absorption

SUBURBAN NORTH CALGARY OFFICE VACANCY BY CLASS



was partially caused by the removal of the vacant, former **CBC Building** from inventory. According to information from the purchaser, it is being acquired with

SUBURBAN NORTH CALGARY ANNUAL OFFICE ABSORPTION



the intent to redevelop the site with a residential project.

Absorption in the Suburban North office market for third quarter 2017 was negative (-6,000 sf). The 5-year average annual absorption for the Suburban North office market is negative (-107,000 sf per year), and the 10-year average annual absorption is 61,000 sf per year.

Average asking rents for headlease space in the Suburban North range between \$6 and \$30 per square foot, per annum. New Construction buildings typically range between \$25 and \$30 psf, with the average being approximately \$27 psf. Class A buildings typically range between \$18 and \$26 psf, with the average being approximately \$18-\$20 psf. Class B buildings typically range

between \$9 and \$16 psf, with the average being approximately \$12-\$14 psf. Class C buildings typically range between \$6 and \$12 psf, with the average being approximately \$8-\$10 psf. Location, building quality, size of space, and length of term will all play into ultimately determining what the asking rate for a property is. Sublease opportunities can offer substantial discounts from these rates and vary widely.

Similarly, quoted taxes and operating costs average \$14.38 psf for all building classes, in the Suburban North market. Class A buildings average \$15.40 psf, class B buildings average \$13.48 psf, and class C buildings average \$12.18 psf.

There are eight availabilities in Suburban North Calgary with more than 30,000 sf available in one contiguous block. These eight blocks of space represent 28% of the total availability of space in the Suburban North office market and 85% of this space is available on a headlease basis.

No new office buildings were added to inventory in third quarter 2017. Two office buildings remain under construction in Suburban North Calgary. These are: **Hexagon Calgary Campus**,

THE RESULTS OF THE 2017 CITY OF CALGARY CIVIC CENSUS
show CALGARY'S POPULATION AT
1,246,337
Up 11,166 from last year
TO VIEW THE FULL RESULTS click [HERE](#)

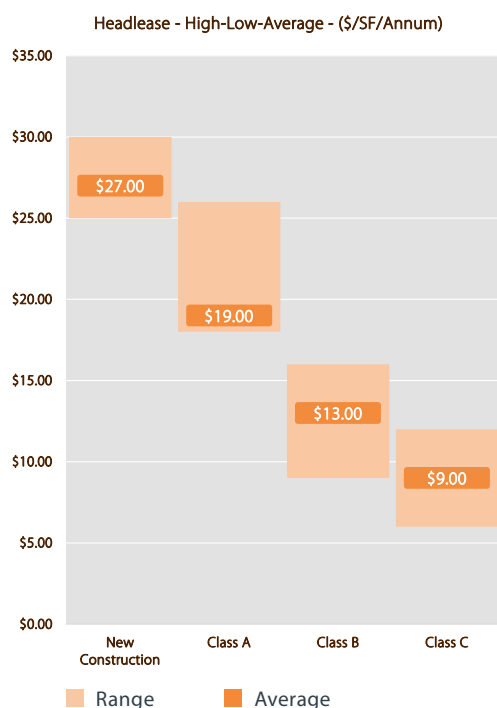


CALGARY OFFICE MARKET AVERAGE TAXES AND OPERATING COSTS

	Class AA	Class A	Class B	Class C	All Classes
Downtown	\$23.46	\$21.03	\$18.07	\$16.16	\$21.11
Beltline	-	\$19.88	\$17.37	\$16.42	\$18.21
Suburban North	-	\$15.40	\$13.48	\$12.18	\$14.38
Suburban South	-	\$14.98	\$14.48	\$9.67	\$14.46
Overall	\$23.46	\$18.91	\$17.07	\$14.41	\$17.91

(per square foot, per annum)

SUBURBAN NORTH OFFICE MARKET AVERAGE ASKING RENTS



and One North Business Centre. They represent 181,000 sf of new space, which will increase the Suburban North office inventory by 2%. The good news is the Hexagon Calgary Campus building is being purpose-built for its owner-user, and as such, combined these two buildings are 93% pre-leased.

Suburban South

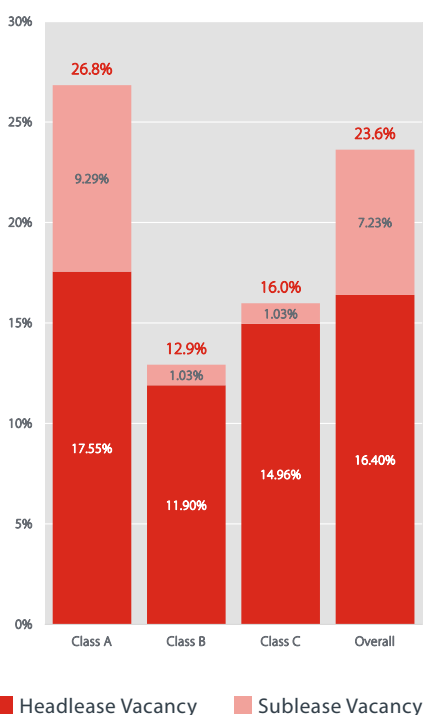


The Suburban South office vacancy rate increased to 23.6% in third quarter 2017, up from 23.1% in second quarter 2017, and from 22.3% twelve months ago in third quarter 2016. Headlease space increased by 90,000 sf over the last quarter, while sublease space decreased by (-30,000 sf). Total vacancy for the Suburban South office market is 2.85 msf, broken down by 1.98 msf of headlease space and 872,000 sf of sublease space.

Third quarter 2017 saw negative absorption for all classes of buildings in the Suburban South office market. Vacancy by class is now: class A – 26.8%, class B – 12.9%, and class C – 16.0%.

Absorption in the Suburban South office market for third quarter 2017 was negative (-115,000 sf). Thanks to positive absorption in the first and second quarters of 2017, year-to-date, the absorption for the Suburban South office market is negative (-32,000 sf). The 5-year annual average absorption is 129,000 sf per year, and the 10-year

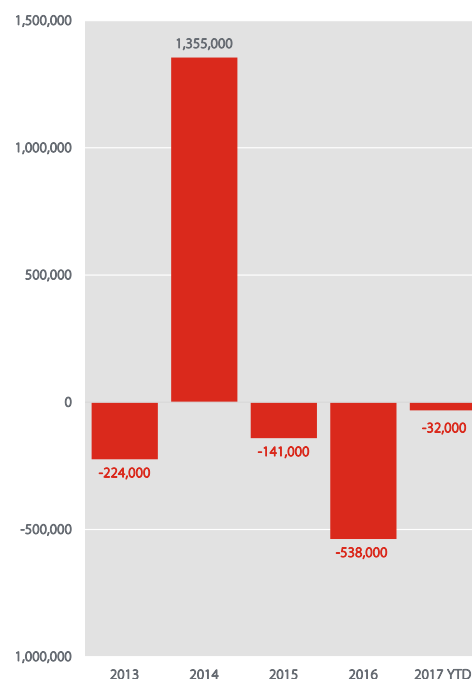
SUBURBAN SOUTH CALGARY OFFICE VACANCY BY CLASS



annual average absorption is 312,000 sf per year. The Suburban South is a popular area among engineering and energy service firms, who have made dramatic capital and employment adjustments in the past three years.

Average asking rents for headlease space in the Suburban South range between \$6 and \$30 per square foot, per annum. New Construction buildings typically range between

SUBURBAN SOUTH CALGARY ANNUAL OFFICE ABSORPTION

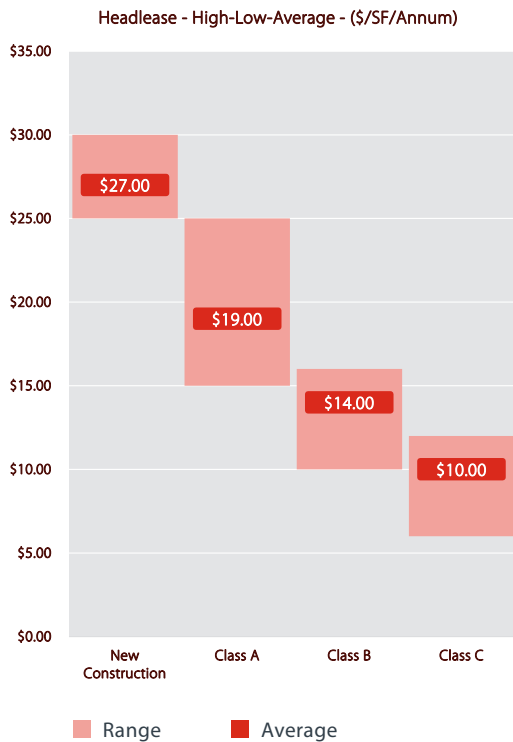


\$25 and \$30 psf, with the average being approximately \$27 psf. Class A buildings typically range between \$15 and \$25 psf, with the average being approximately \$19 psf. Class B buildings typically range between \$10 and \$16 psf, with the average being approximately \$14 psf. Class C buildings typically range between \$6 and \$12 psf, with the average being approximately \$10 psf. Location, building quality, size of space, and length of term will all play into ultimately determining what the asking rate for a property is. Sublease opportunities can offer substantial discounts from these rates and vary widely.

Similarly, quoted taxes and operating average \$14.46 psf for all building classes, in the Suburban South market. Class A buildings average \$14.98 psf, class B buildings average \$14.48 psf, and class C buildings average \$9.67 psf.

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SUBURBAN SOUTH OFFICE MARKET AVERAGE ASKING RENTS



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There are 19 availabilities in Suburban South Calgary with more than 30,000 sf available in one contiguous block. These 19 blocks of space represent 58% of the total availability of space in the Suburban South office market and 63% of this space is available on a headlease basis.

No new buildings were added to inventory in third quarter 2017. One office building remains under construction in Suburban South Calgary: **Macleod Professional Centre**. This building contains 31,000 sf of new space, and is currently 39% pre-leased. Given the current, widespread availability in the office market and slow absorption of space, no additional new construction is anticipated to commence in 2017. ■

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Glossary of Terms 2

Vacancy – The amount of space available for lease to tenants on either a headlease or sublease basis immediately or within the next six months.

Inducement – An allowance, benefit or concession that is offered by the landlord to encourage a tenant to renew or to sign a lease.

Tenant Improvement Allowance (TIA) – A negotiated sum a landlord is willing to spend to customize space for the needs of a particular tenant.

CALGARY Q2 2017 UNDER CONSTRUCTION AND NEW SUPPLY

Downtown Under Construction

Building Name	Address	Office Area (sf)	Expected Completion	% Leased / Pre-Leased	LEED Target
TELUS Sky	110 - 7th Avenue SW	460,000	Q4 2018	39%	Platinum

Beltline Under Construction

Building Name	Address	Office Area (sf)	Expected Completion	% Leased / Pre-Leased	LEED Target
14th Street Office (RECA Building)	1506 - 11th Avenue SW	38,000	Q4 2017	82%	
Mount Royal West	1508 - 8th Street SW	28,000	Q2 2018	0%	

Suburban North Under Construction

Building Name	Address	Office Area (sf)	Expected Completion	% Leased / Pre-Leased	LEED Target
Hexagon Calgary Campus	10921 - 14th Street NE	160,000	Q2 2018	100%	
One North Business Centre	1348 Northmount Drive NW	20,000	Q2 2018	35%	

Suburban South Under Construction

Building Name	Address	Office Area (sf)	Expected Completion	% Leased / Pre-Leased	LEED Target
Macleod Professional Centre	3916 Macleod Trail SE	31,000	Q1 2018	39%	



CALGARY'S UNEMPLOYMENT RATE IS NOW 8.5%.

How does this compare to other markets, provinces and the Canadian average? What industries have been gaining jobs in the last year? View Calgary specific analysis and graphs of **Statistics Canada's Labour Force Survey** for September 2017, prepared by Avison Young's Calgary Research team (month-over-month and year-over year comparisons).

CLICK [HERE](#) to view



Introducing
Avison Young's North
America and Europe
Office Market Report
(Mid-Year 2017):

VIEW OR DOWNLOAD REPORT [HERE](#)

FEATURED DOWNTOWN

Place 9-6



940 - 6th Avenue SW
HEADLEASE Opportunity
From 1,925 sf up to 15,358 sf

FEATURED BELTLINE

Cheviot Building



1615 - 10th Avenue SW
HEADLEASE Opportunity
Up to 2,257 sf

FEATURED SUBURBAN NORTH

18 Royal Vista Link NW



18 Royal Vista Link NW
HEADLEASE Opportunity
From 1,000 sf up to 4,000 sf

FEATURED SUBURBAN SOUTH

1212 - 58th Avenue SE



1212 - 58th Avenue SE
HEADLEASE Opportunity
11,711 sf

McFarlane Tower



700 - 4th Avenue SW
SUBLEASE Opportunity
12,354 sf

Paramount Building



1011 - 1st Street SW
SUBLEASE Opportunity
3,000 sf

233 Mayland Place NE



233 Mayland Place NE
HEADLEASE Opportunity
6,382 sf

1200 - 59th Avenue SE



1200 - 59th Avenue SE
SUBLEASE Opportunity
From 21,955 sf up to 26,442 sf

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