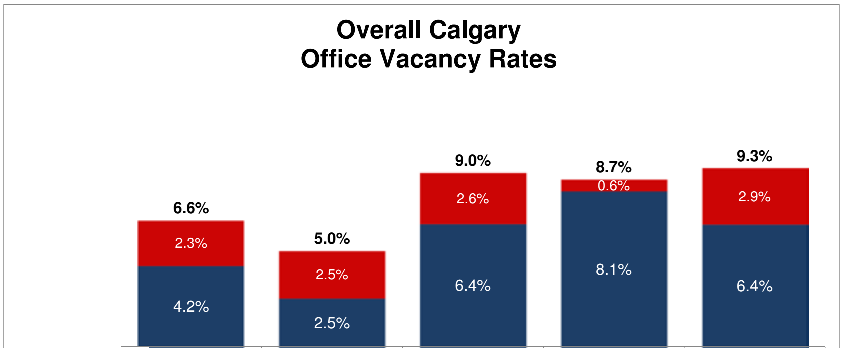
The Office Report

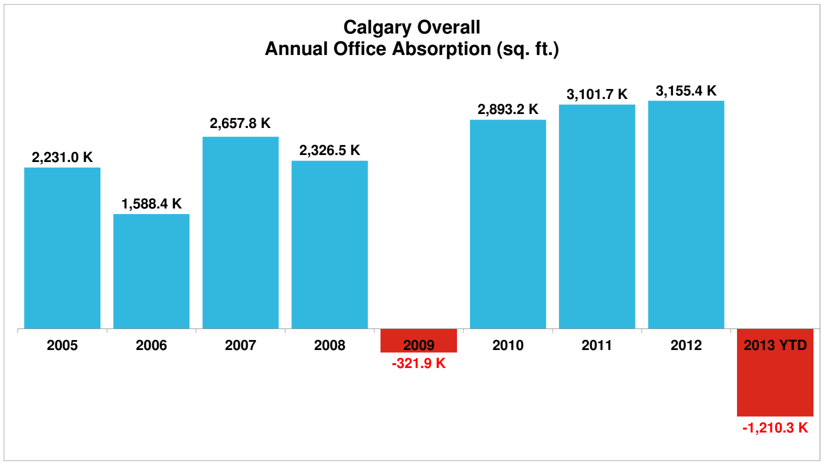
CALGARY MARKET - Q3 2013

Calgary Overall - Vacancy 6.6%

Overall vacancy within Calgary's office leasing market continued on its upward trajectory in Q3 2013, rising from 6.2% to 6.6% quarter-over-quarter. Q3 2013 marks the fourth consecutive quarter of negative absorption in the office leasing market, amounting to negative 202,000 sq. ft. overall. Overall YTD absorption in 2013 has reached negative 1.2 million sq. ft. (msf). This is in large contrast from 2010 to 2012, where the office market averaged a stunning 3 msf of absorption per annum. Overall headlease vacancy was flat during the quarter and remained stable at 4.2%. Sublease vacancy, on the other hand, rose by 0.3% as a result of 207,000 sq. ft. of new sublet supply becoming immediately available. The Downtown witnessed the most significant impact on vacancy levels, rising 100 basis points from 4.0% to 5.0%. Notably, Class AA vacancy is still virtually fully-occupied at a compressed rate of 0.3%. Like the Downtown, vacancy in the Suburban South also continued to elevate and rose by 60 basis points. The Beltline and Suburban North, however, both showed signs of recovery and experienced positive absorption levels of 45,000 sq. ft. and 93,000 sq. ft., respectively. Despite the current market swing that is evident within today's market, there are still major corporations that are performing well and fostering internal growth. Many of these firms have an appetite for the best available space in the Downtown core. Since there is virtually no Class AA space available, a spur of significant new office tower developments has been triggered, including Eau Claire, Telus Sky, Brookfield Place Calgary East, and Manulife's new project at 707 5th Street SW.

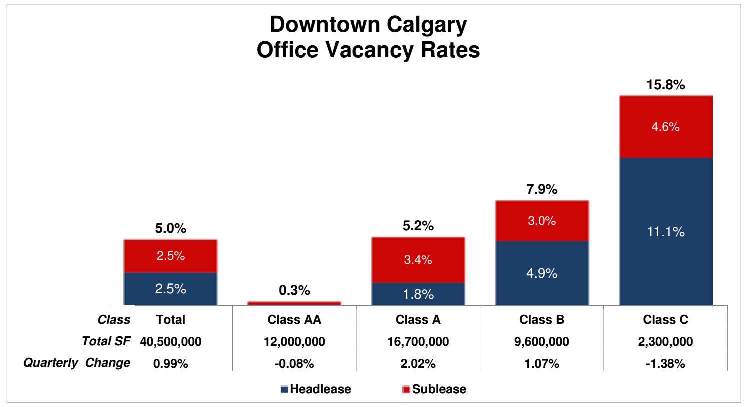


Sector	Overall	Downtown	Beltline	North	South
Total SF	66,400,000	40,500,000	6,500,000	8,000,000	11,400,000
Quarterly Change	0.36%	0.99%	-2.04%	-1.17%	0.56%

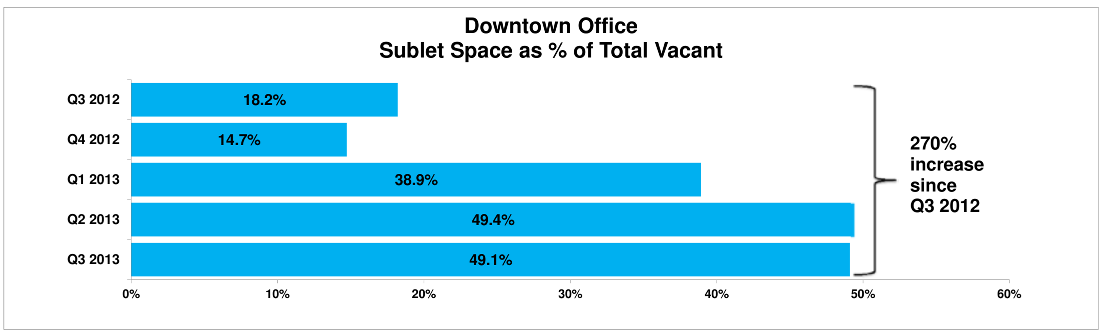


At the end of last quarter, many of Calgary's major corporations located in the Central Business District (CBD) were affected by the June floods that hampered regular business activity for several days. Initial reactions were grim; TD Economics estimated that about 0.3% of Alberta's real GDP would be lost as a result. However, new economic outlooks are portraying a more positive reaction. In September 2013, RBC Economics reported that the province's resiliency and post-flood spending will more than make up for the short-term challenges induced by the disaster. Combined with the announcement of the new Energy-East pipeline and the receding concerns over the 'bitumen bubble', estimated real GDP growth for 2013 was upwardly revised from 3.0% to 3.2%. With Western Canada Select (WCS) passing the \$85 per barrel mark in June, the optimistic outlook within Alberta's energy sector should translate into continued demand for quality space by the major oil firms located in Calgary's Downtown core.

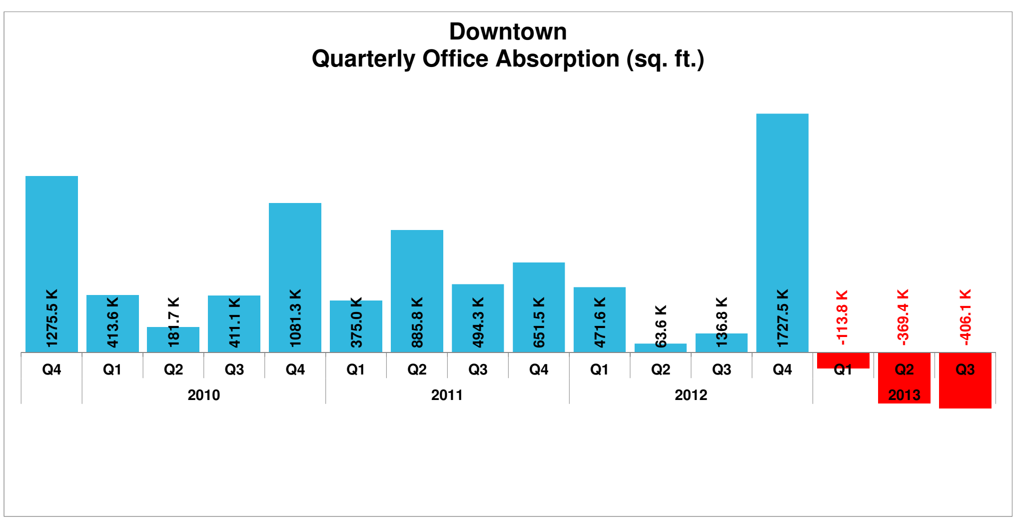
Downtown - Vacancy 5.0%



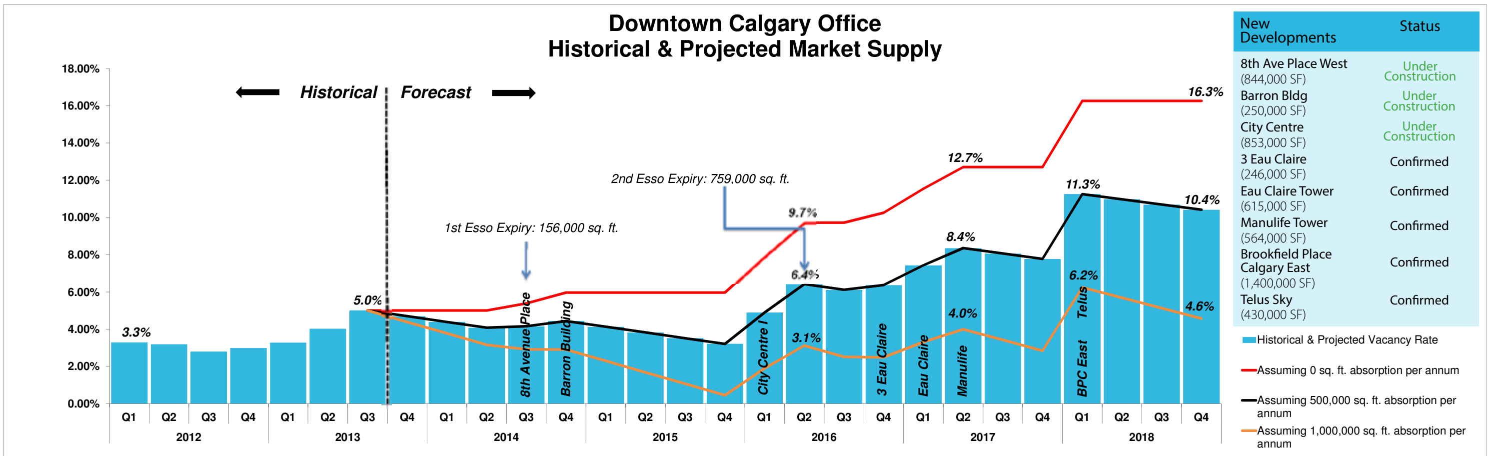
Vacancy in the Downtown eclipsed the 5% mark during the third quarter of 2013 after seven consecutive quarters of sub-5% levels. Headlease and sublease vacancy moved in parallel to each other, both rising from 2.0% to 2.5% to generate an overall rate of 5.0%. The majority of available space can be found in Class A & B inventory. There is 863,000 sq. ft. of available Class A product and 759,000 sq. ft. of Class B product. Together these two class segments combine to represent 80% of all vacant space in the Downtown. As previously noted, there is virtually no Class AA space available for lease. For the most part, companies with an appetite for the highest quality product in the Downtown core have yet to show signs that they are willing to part ways with Class AA occupancies.



Sublease space in the Downtown has been a closely monitored segment since the beginning of 2013. At the end of Q4 2012, sublease space comprised 14.7% of all total vacant space within the Downtown. Three quarters later, this figure has steeply climbed to 49.1%., representing an increase of 333%. The majority of the sublease space can be found within the Class A segment, where there is 569,000 sq. ft. of sublease space available, representing 57.1% of total sublease space in the Downtown.

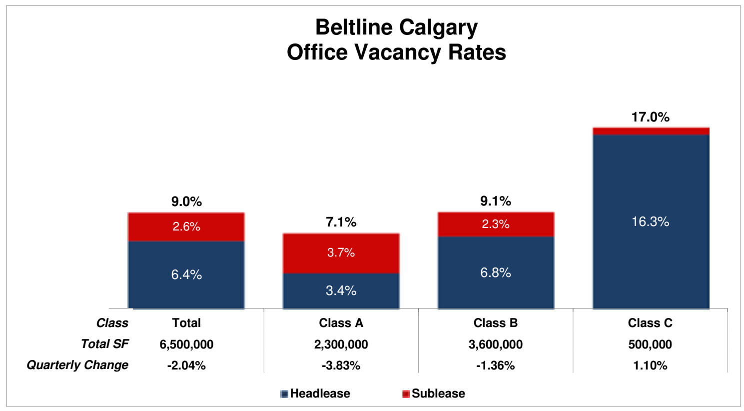


The third quarter witnessed an exciting flurry of new tower announcements. Cenovus Energy agreed to occupy 1 msf at Brookfield Place Calgary East (planned to become Western Canada's tallest tower), Manulife announced they secured Brion Energy as their lead tenant at 707 5th Street SW, and mixed-use Telus Sky was unveiled by a partnership between Telus, Westbank, and Allied REIT. There are also five other confirmed or under construction developments in the Downtown: Eighth Avenue Place West, Barron Building (redevelopment), City Centre I, 3 Eau Claire, and Eau Claire Tower. These eight developments contain a total of 5.2 msf of leasable office space and are currently 61% pre-leased.



Beltline - Vacancy 9.0%

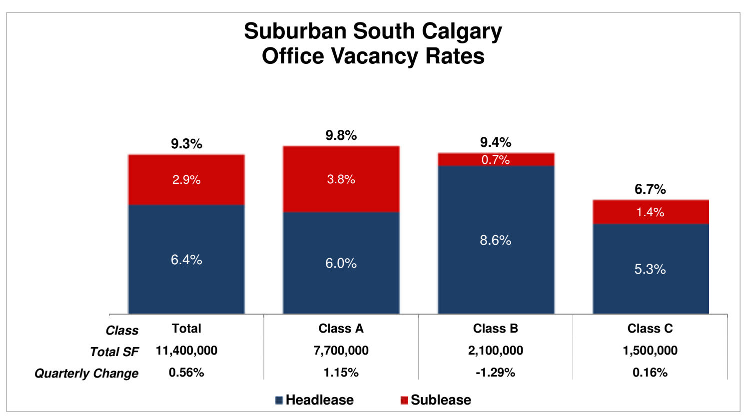
The Beltline market showed signs of recovery during Q3 2013. Vacancy decreased from 11.1% to 9.0% due to the completion of Maxwell Bates Block and 45,000 sq. ft. of positive absorption. Maxwell Bates Block added 32,000 sq. ft. of Class A space to the Beltline and only has 6,000 sq. ft. remaining for lease. Notably, sublease vacancy in the Beltline remained flat quarter-over-quarter at 2.6% after briefly skyrocketing to 4.8% during the first quarter. The Beltline appears to be stable for the time being, although 717,000 sq. ft. of new inventory will come online in the next year, which may put upward pressure on vacancy rates depending on how much space is leased within these developments.



There are five developments in the Beltline that are currently under construction. Three of these projects are anticipated to be completed during the next quarter: Centre 10, the Biscuit Block (redevelopment), and 20/20. Eleventh Avenue Place is also under development with expectations to be completed in Q3 2014. The biggest news was Centron's announcement to proceed with their Place 10 project despite not having any pre-lease transactions completed. This project will introduce a noteworthy 644,000 sq. ft. of Class A space to the Beltline once both towers are completed.

Suburban South - Vacancy 9.3%

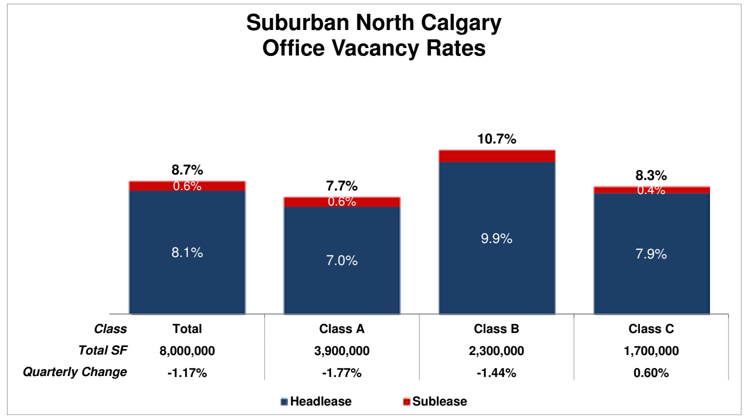
Overall vacancy in the Suburban South rose for the fifth consecutive quarter in Q3 2013. Overall negative absorption of -63,000 sq. ft. effectively pushed vacancy upward from 8.3% to 9.3% quarter-over-quarter. A closer look reveals two very different markets in the Suburban South. The SE quadrant has a vacancy rate of 7.6% (up from 6.2% in Q2 2013) and the SW quadrant has a vacancy rate of 13.4% (down from 14.8% in Q2 2013). The largest block of availability is at Southland Park II, where 129,000 sq. ft.of direct space is being marketed. Notably, this represents 1.2% of the entire inventory in the Suburban South.



There are eight developments in the Suburban South that are currently under construction, including three buildings at Blackfoot Point that are anticipated to be completed at various stages during the next coming months. Quarry Park also remains highly active, where the Imperial Oil campus and Quarry Crossing are both being built. Overall, these eight developments will introduce 1.5 msf of new inventory to the Suburban South and are 68% pre-leased.

The Office Report - Q3 2013

Suburban North - Vacancy 8.7%

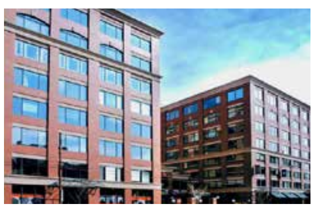


Like the Beltline, the Suburban North market also displayed signs of positive momentum and increasing demand. Overall vacancy decreased from 9.9% to 8.7% as a result of 93,000 sq. ft. of positive absorption. The NE quadrant has a vacancy rate of 9.2% (down from 10.3% in Q2 2013) and the NW quadrant has a vacancy rate of 7.2% (down from 8.7% in Q2 2013). The largest block of availability is at Deerfoot Atrium South, where 80,700 sq. ft. of direct space is being marketed.

Construction activity in the Suburban North remains minuscule compared to the booming markets in the Downtown, Beltline, and Suburban South. The only project under development is the Meredith Block. This development encompasses 159,000 sq. ft. of Class A space and is 17% pre-leased. The Meredith Block will also take advantage of being located in the Bridgeland area along Edmonton Trail, providing quick and easy access to the Downtown core.

FEATURED OFFICE LISTINGS

Centre 89
8989 Macleod Trail S
1,440 SF - 4,882 SF
Leasing Opportunity



Vintage Towers - East & West
322 & 326 - 11th Avenue SW
Up to 57,661 SF
Leasing Opportunity

444 - 7th Avenue SW
Up to 191,826 SF
Leasing Opportunity

Aquitaine Tower
540 - 5th Avenue SW
4,979 SF & 6,421 SF
Sublease Opportunity

Parkside Place
602 - 12th Avenue SW
8,469 SF
Sublease Opportunity

404 - 6th Avenue SW
Up to 25,241 SF
Leasing Opportunity

Centron Corner
6223 & 6227 - 2nd Street SE
2,542 SF - 5,559 SF
Leasing Opportunity

1207 - 11th Avenue SW
Up to 48,113 SF
Subease Opportunity

Calgary Office Leasing Team

Nathan Donahue | 403.232.4320
Erik Dobrovolsky | 403.232.4315
Brock Evans | 403.232.4383
Matt Evans | 403.232.4301
Tracy Fu | 403.232.4304
Steve Goertz | 403.232.4322
Larry Gurtler | 403.232.4326
Eric Horne | 403.232.4339
Chris Howard | 403.265.9552 ext. 223
Will Mullane | 403.232.4325
Alexi Olcheski | 403.232.4332
Doug Pilip | 403..232.4317
Nairn Rodger | 403.232.4309
John Savard | 403.232.4309
Glenn Simpson | 403.232.4329
Mark St. Pierre | 403.232.4319
Peter Thorpe | 403.232.4342
Todd Throndson | 403.232.4343
Alex Wong | 403.232.4327
Gordon Woodman | 403.232.4323
Allan Zivot | 403.232.4307

Business Condominium Team

Pali Bedi | 403.232.4311
Fred Clemens | 403.232.4312