

# Calgary

Pulse check time. How are you feeling these days about doing business in Calgary? While the answers still vary widely, overall the responses are more positive.

Most economic reviews and outlooks regarding Calgary talk about how the economy has reached the turning point. However, most comments are tempered with apprehension. Without significant change to energy prices, growth will remain slow. Pricing is currently hovering in the low-\$40s, while anecdotally it seems that \$60 per barrel is where we start to see noticeable growth occurring in oil sector businesses.

A recent **Bank of Canada** poll says business sentiment has reached its highest level since 2011 with corporate expectations for key areas like future sales, investment and hiring intentions all above historical averages. Nevertheless, without sustained economic growth and continued positive news, confidence is difficult to maintain. While improvement in the labour market has been noted in the last two quarters, job growth remains slow. The unemployment rate has fallen from a peak of 10.2% in November 2016 to 8.9% as of June 2017, but remains the highest among major cities in Canada. Employers remain hesitant to bring back their workforce to previous levels. Capital costs need to be kept low and employment will be phased once stronger economic signals are recorded.

It is now believed that Calgary has reached the end of this recession. Modest growth is being seen in some areas of the economy, but long-term, significant employment and business growth are anticipated to take longer before strong, positive results are seen. Even though growth is being recorded, there are no forecasts that suggest a quick return to the high-growth environment Calgary was once known for.

**ATB Financial** noted confidence remains up compared to the past two years among Alberta's small and mid-sized enterprises (SMEs) in its most recent **ATB Business Beat Index**. This index, which measures the confidence of business owners in their own operations, saw the score reach its highest level in two years last quarter, and fall slightly in second quarter, but remain above any score recorded in the previous two years. The score represents the percentage of businesses that are more optimistic than pessimistic. According to their report, more than 66% of Alberta business owners believe the province's economy will be better off or the same six months from now, while 82% of business owners believe their company will be better off or the same six months from now.

continued on page 2

## 23.5%

Calgary Overall Vacancy

## 26.4%

Downtown Vacancy

## 16.9%

Beltline Vacancy

## 16.1%

Suburban North Vacancy

## 23.1%

Suburban South Vacancy

# 61%

felt that their own business would see performance improvement over the course of 2017



# 63%

of business leaders felt that Calgary's overall economy would improve over the course of 2017



# 66%

of Alberta business owners believe the Province's economy will be better off or the same six months from now



# 82%

of Alberta business owners believe their company will be better off or the same six months from now

(Calgary Numbers Source: Calgary Economic Development & Calgary Chamber, Spring 2017 Business Leaders Confidence Survey)  
(Alberta Numbers Source: ATB Financial, Q2 2017 Business Beat Index)

# CALGARY OVERALL

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In a corroborating survey, **Calgary Economic Development** and the **Calgary Chamber** found that for the first time since 2014, the majority of business leaders they surveyed have a positive outlook on the Calgary economy and their own business performance in the coming year. Their *Spring 2017 Business Leaders Confidence Survey* revealed that 63% of business leaders felt that Calgary's overall economy would improve over the course of 2017 and 61% felt that their own business would see performance improvement. Especially interesting was that 46% of business leaders indicated that their own business performance is very good.

Thanks to recent positive news, optimism in the Calgary market is up. However, it is still too early to tell if Calgary will see enough recovery in 2017 to make a noticeable difference to the current economic situation.

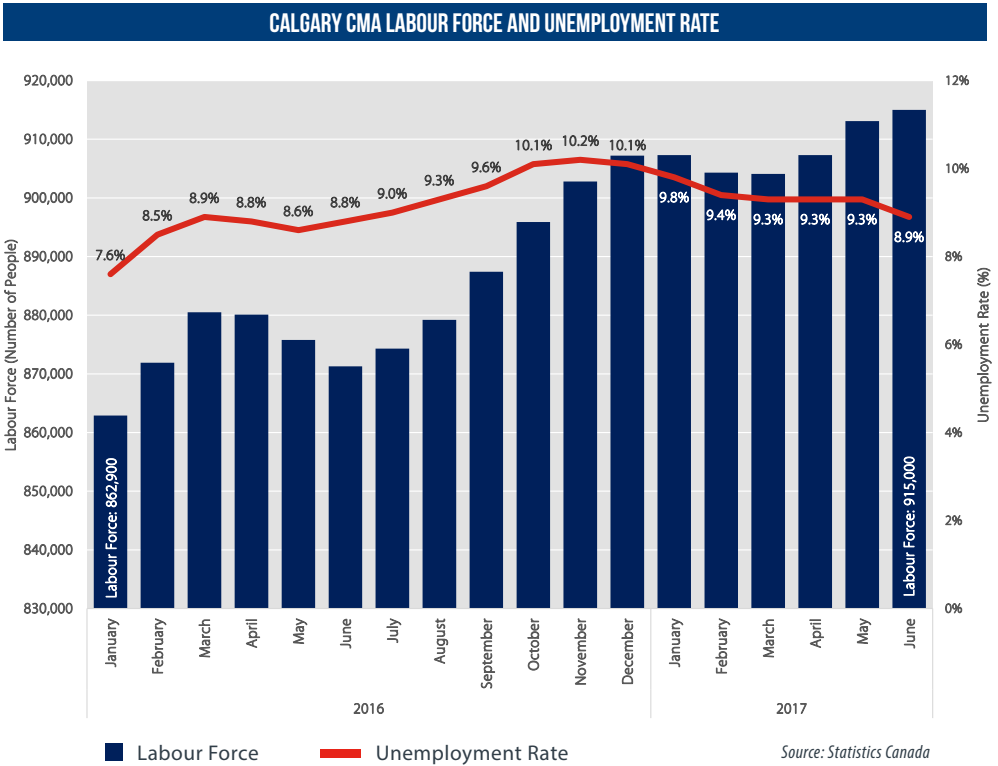
## Calgary Overall



The Calgary office market saw its overall vacancy rate rise from 22.5% to 23.5% during the second quarter of 2017. This increase has long been anticipated, as it is largely attributable to the addition of **Brookfield Place** to the inventory in the downtown market.

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 22% and 41% of the availability for their market segments.

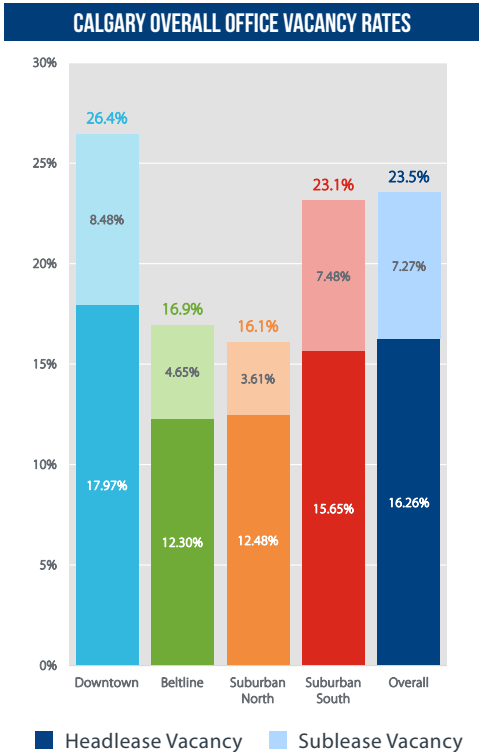
Absorption for the overall Calgary office market for second quarter 2017 was positive 121,000 square feet (sf). That



being said, the suburban markets were the only areas of the city in the second quarter of 2017 to show positive absorption results. Across all areas of the city, some of the positive absorption this quarter has come in the form of listings, both headlease and sublease, being withdrawn from the market by tenants and building owner/users.

Quoted taxes and operating costs average \$17.99 psf for all building classes, across the entire city. Class AA buildings average \$23.93 psf, class A buildings average \$19.04 psf, class B buildings average \$17.06 psf, and class C buildings average \$14.46 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. It is expected that property taxes in the downtown will decline significantly in the near future.

Second quarter 2017 saw the completion of four new buildings across the city, containing a total of 1.6 million square feet (msf). It also saw the three buildings of **Quarry Crossing II**, which have the underground parkade component completed, be placed on hold. The project is now being marketed as a pre-leasing



project. No new construction commenced this quarter, however a few smaller suburban office/mixed-use projects are anticipated to commence in the coming months. Approximately 810,000 sf of new

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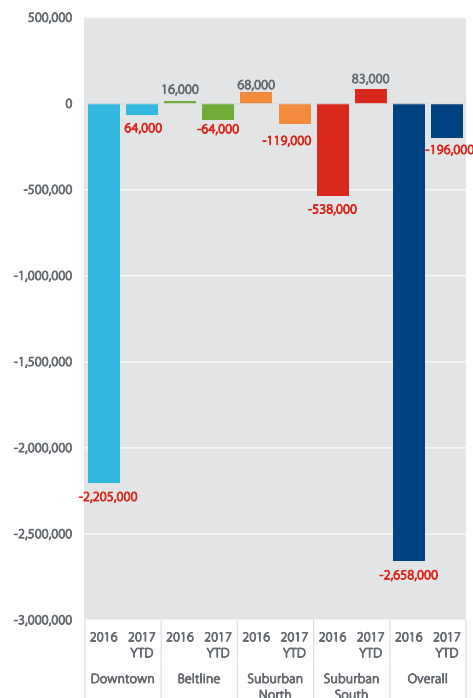
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office space, in six buildings, remains under construction across Calgary. The majority of this is in Downtown (57%), followed by the Suburban North (31%), Beltline (8%), and Suburban South (4%). Very little new construction is anticipated to be announced 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-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 two years ago, depending on the market segment.

CALGARY ANNUAL ABSORPTION BY AREA OF CITY



## FOCUS on Investment



Calgary's real estate office investment market continues to have two main and divergent capital pools. One is searching for best in class assets while the other is searching for deep value discounts and value add opportunities.

There have been relatively few office trades over the past two and a half years, but investment dollar volume has remained high, driven by four large Class AA transactions: **Oxford's** 50% non-managing interest sale of **Eau Claire Tower**, the sale of **Centennial Place** to the **Canada Pension Plan Investment Board [CPP]**, **H&R's** 50% non-managing interest sale of **TransCanada Tower** to the **Healthcare of Ontario Pension Plan (HOOPP)**, and **Slate's** acquisition of 12 inner-city **Dream** assets.

Apart from the **CPP** and **HOOPP** transactions, office investment in Calgary has been largely completed by groups that did not, at the time of closing, have any exposure to the Calgary office market. These were groups that clearly underwrote the vacancy in Calgary's office market as opportunity and were able to purchase these assets at pricing not seen for over a decade. Guessing when, where and how values will begin to appreciate is an impossible task, but there is no doubt that "market" pricing has been established and a number of likeminded groups are beginning to enter the search for assets. 2017 will continue to see more office transactions that will drive investment dollar volume and number of transactions to heights not seen since 2014.

## Did You Know?



Effective June 26, 2017, City Council for The City of Calgary approved an initiative called the Centre City Enterprise Area which waives Change of Use permit requirements for permitted and discretionary uses across most of Downtown and Beltline Calgary.

[GET MORE INFORMATION HERE](#)

## Downtown

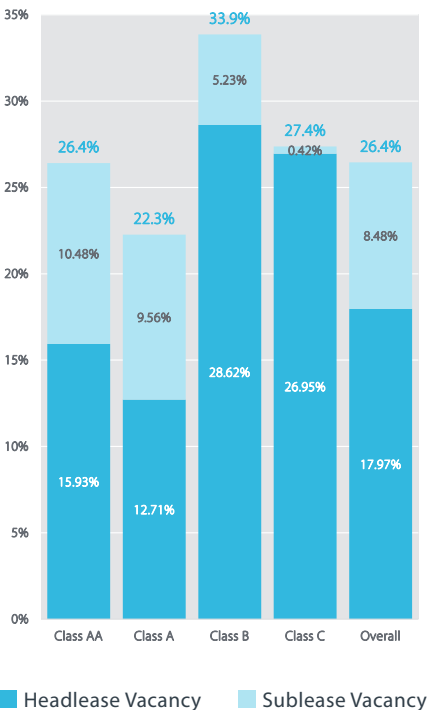


As expected, vacancy in the downtown Calgary office market increased during the second quarter of 2017, due to the addition of **Brookfield Place** to inventory. Because fixturing and occupancy have not taken place yet, this building is being added to the marketplace with no occupancy or absorption, and will be phased in as tenants move from their existing space.

As a result, vacancy is now 26.4%. This is up from 23.9% in first quarter 2017 and 19.6% 12 months ago in second quarter 2016. Were it not for the addition of this new building, the vacancy rate for downtown Calgary would have held more-or-less even from last quarter.

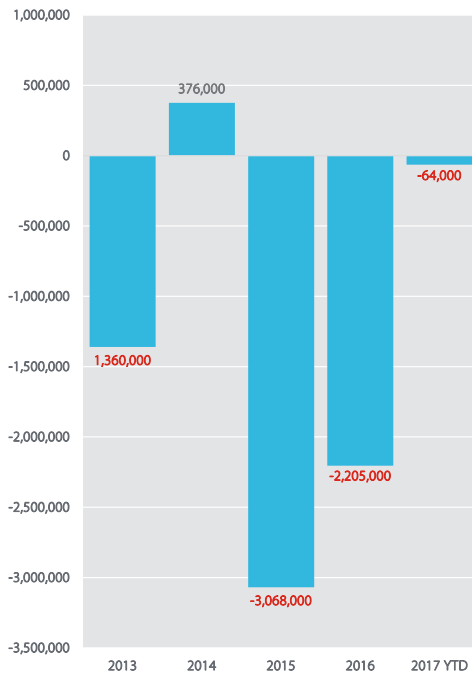
Total vacancy for the Downtown office market is 11.9 msf, broken down by: 8.1 msf of headlease space (68%) and 3.8 msf of sublease space (32%). It is anticipated that

### DOWNTOWN CALGARY OFFICE VACANCY RATES



■ Headlease Vacancy ■ Sublease Vacancy

### DOWNTOWN CALGARY ANNUAL OFFICE ABSORPTION



some sublease availability will continue to be seen transitioning to headlease availability over the course of the year as sublease terms continue to expire.

Second quarter 2017 saw negative absorption for class AA and B buildings and positive absorption for class A and C buildings. Over the last three months, class AA buildings saw negative (-8,000 sf) of absorption, class A saw positive 90,000 sf of absorption, class B saw negative (-159,000 sf) of absorption, and class C saw positive 10,000 sf of absorption. Vacancy by class is now: class AA – 26.4%, class A – 22.3%, class B – 33.9%, and class C – 27.4%.

The amount of space coming onto the market has slowed down substantially. Absorption in the Downtown office market for second quarter 2017 was negative (-67,000 sf). Year-to-date downtown Calgary has a cumulative negative absorption of (-64,000 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 the same level 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 \$20 psf, with the average being approximately \$18 psf. Class B buildings typically range between \$8 and \$14 psf, with the average being approximately \$10 psf. Class C buildings typically range between \$4 and \$8 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 \$21.21 psf for all building classes, in the Downtown market. Class AA buildings average \$23.93 psf, class A buildings average \$21.03 psf, class B buildings average \$18.12 psf, and class C buildings average \$16.36 psf.

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Calgary Q2 2017 Office Market Statistics

[DOWNLOAD CHART HERE](#)



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There are 15 availabilities on the market in Downtown Calgary that have over 100,000 sf available as one contiguous block. These 15 blocks of space represent 22% of the total availability of space in the Downtown market and 59% 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, and is 41% pre-leased, with over a year to go before occupancy starts to take place.

Looking to the future, this is likely the last major influx of space to Downtown Calgary vacancy for this downturn. Without a substantial change in the Calgary economy, **TELUS Sky** will potentially push vacancy up to 29% using pessimistic assumptions. The current realistic prediction is that absorption will be flat for the second half 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, resulting in vacancy around the 27% level.

## DOWNTOWN CALGARY OFFICE MARKET AVERAGE ASKING RENTS



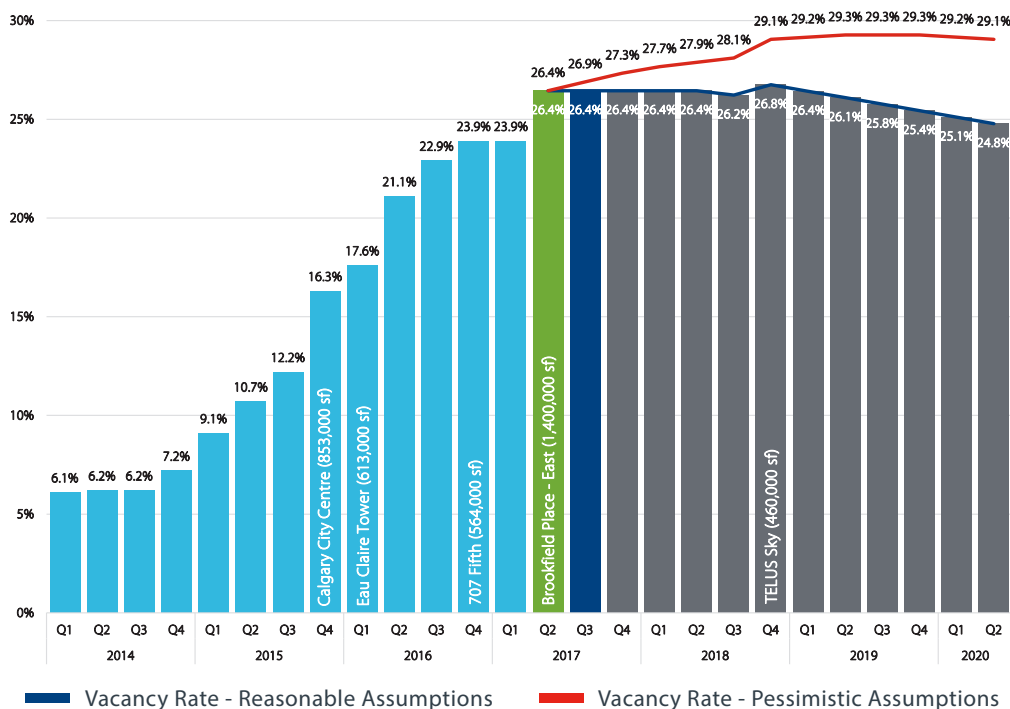
Source: Conference Board of Canada



**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 Q3 and 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 each of Q3 and Q4

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

2019: Negative 50,000 sf in each of Q1 and Q2, flat absorption in each of Q3 and Q4

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

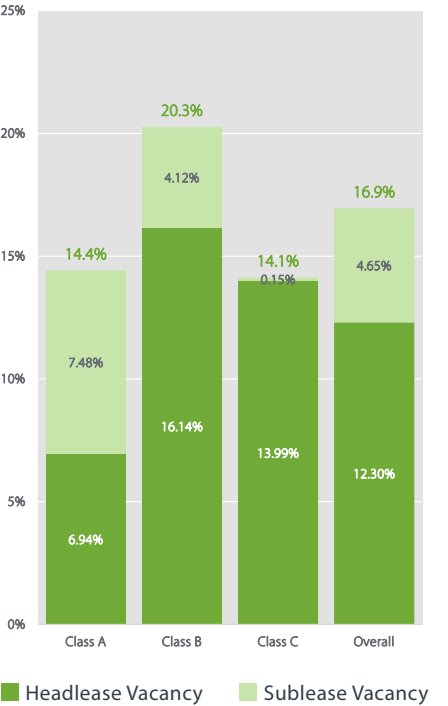
Beltline



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%.

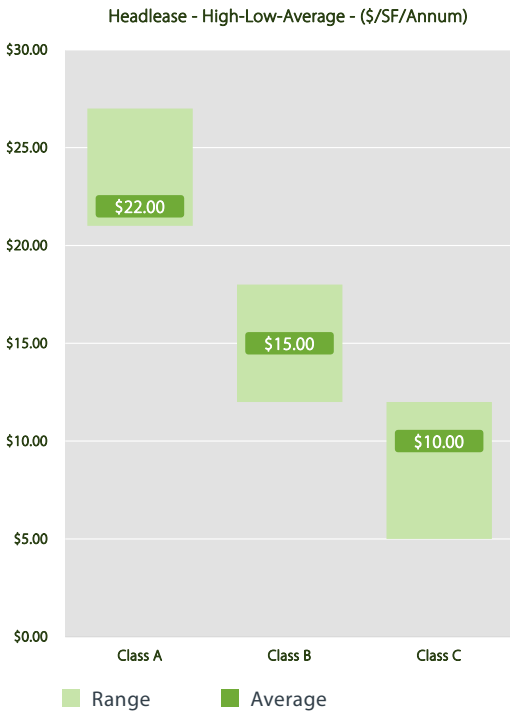
Absorption in the Beltline office market for second quarter 2017 was negative (-47,000 sf). While it is unfortunate that negative absorption has returned for a second consecutive quarter, this was the smallest negative quarterly absorption in over two years. The Beltline office market’s 5-year average 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, there has been a big upswing in optimism in Q1 2017:

CLICK [HERE](#)

Improving business sentiment hits highest level since 2011 | **Bank of Canada** poll:

For the story CLICK [HERE](#)

For the survey CLICK [HERE](#)



According to **Calgary Economic Development and Calgary Chamber's Spring 2017 Business Leaders Confidence**

**Survey**, for the 1st time since 2014, the majority of Business leaders have a positive outlook on the Calgary economy and their own business performance in the coming year: CLICK [HERE](#)

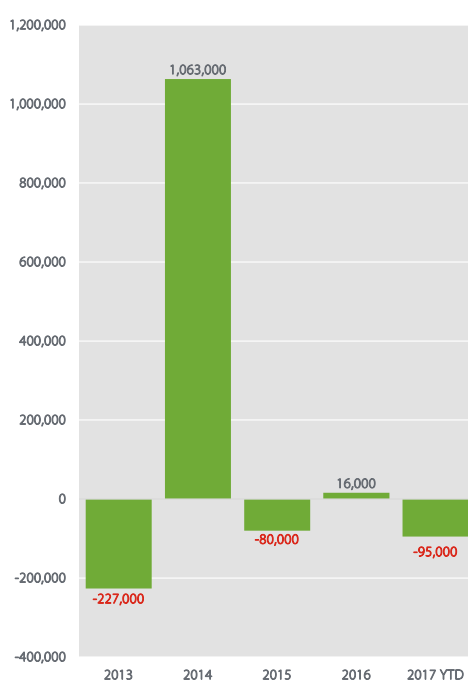


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There are nine availabilities in Beltline Calgary with more than 30,000 sf available as one contiguous block. These nine blocks of space represent 26% of the total availability of space in the Beltline office market and 55% of this space is available 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
RocketSpace	150 - 9th Avenue SW	150 - 9th Avenue SW	75,000	Headlease - New
Solium Capital	Eau Claire Tower	620 - 3rd Avenue SW	55,000	Sublease - New
*Geologic Systems	Gulf Canada Square	401 - 9th Avenue SW	48,000	Sublease - New
City of Calgary	Rocky Mountain Plaza	615 Macleod Trail SE	28,000	Sublease - New
*BJ Services	Penn West Plaza - West	215 - 9th Avenue SW	21,000	Sublease - New

### Beltline

Tenant	Building Name	Address	Size (sf)	Deal Type
*Canlearn Society for Persons with Learning Difficulties	Macleod Square	1117 Macleod Trail SE	6,600	Headlease - Renewal
*Founders Advantage Capital Corp.	Maxwell Bates Block	2207 - 4th Street SW	6,500	Sublease - New
*Calgary Sexual Health Centre Society	Centre 15	1509 Centre Street SW	6,000	Headlease - 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
Genesis Land Development	Genesis Building	7315 - 8th Street NE	19,000	Headlease - Renewal
*PSAC Holdings	Campana Place	609 - 14th Street SW	3,900	Headlease - New
*Infinite Wellness Solutions	Centre 720	720 - 28th Street NE	2,800	Headlease - New

### Suburban South

Tenant	Building Name	Address	Size (sf)	Deal Type
*Primary Care Network	Phillips Square A	5960 Centre Street SE	16,000	Headlease - New
*Ricoh Canada	Airstate Centre	1200 - 59th Avenue SE	9,800	Headlease - Extension
*Merchant Law Group LLP	Deerfoot 17	2710 - 17th Avenue SE	5,700	Headlease - Renewal

\* Indicates transactions Avison Young was involved in

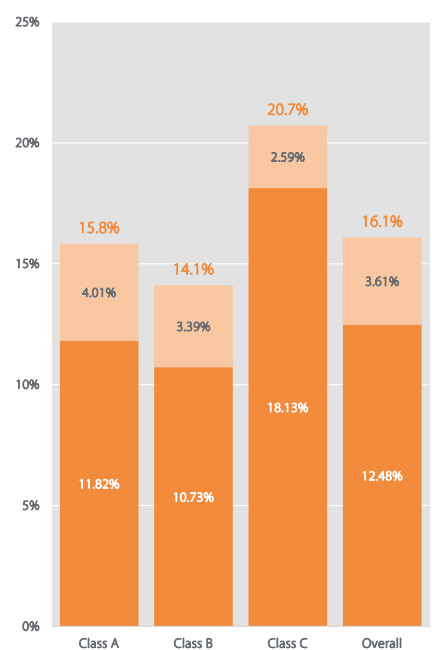
## Suburban North



The Suburban North office vacancy rate decreased to 16.1% in second quarter 2017, down from 19.0% in first quarter 2017, and from 20.4% 12 months ago. Headlease space decreased by 185,000 sf, while sublease space decreased by 78,000 sf during the last three months. Total vacancy for the Suburban North office market is 1.57 msf, broken down by 1.21 msf of headlease space and 351,000 sf of sublease space.

Second quarter 2017 also saw positive absorption across all classes of buildings in the Suburban North. Vacancy by class is now: class A – 15.8%, class B – 14.1%, and class C – 20.7%.

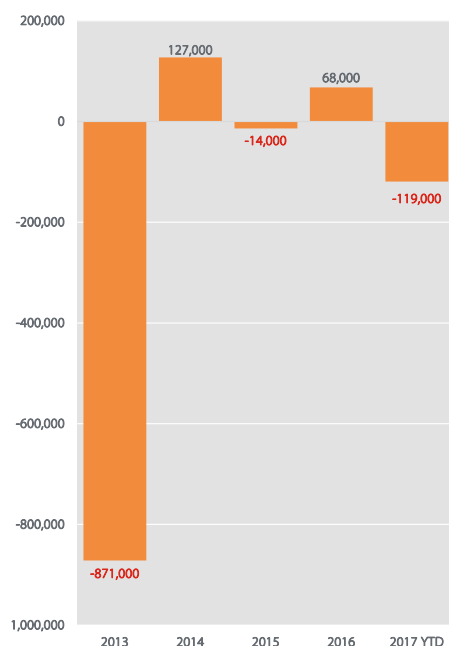
SUBURBAN NORTH CALGARY OFFICE VACANCY BY CLASS



■ Headlease Vacancy ■ Sublease Vacancy

Absorption in the Suburban North office market for second quarter 2017 was positive 203,000 sf. The 5-year average annual absorption for the Suburban North office market is negative (-107,000 sf per

SUBURBAN NORTH CALGARY ANNUAL OFFICE ABSORPTION



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. Class A buildings typically range between \$18 and \$30 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 \$14.32 psf for all building classes, in the Suburban North market. Class A buildings average \$15.42 psf, class B buildings average \$13.28 psf, and class C buildings average \$12.14 psf.

There are nine availabilities in Suburban North Calgary with more than 30,000 sf available in one contiguous block. These nine blocks of space represent 31% of the total availability of space in the Suburban North office market and 84% of this space is available on a headlease basis.

Two new office buildings were added to inventory in second quarter 2017: **One North Business Centre**, and the **Royal Canadian Legion Building**. These two buildings contain a total of 48,500 sf and were 18% pre-leased combined. Two office buildings remain under construction in Suburban North Calgary. These are: **Hexagon Calgary Campus**, and **Royal Vista Centre**. They represent 253,000 sf of new space, which will increase the Suburban North office inventory by 3%. 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 71% pre-leased.

**14.6%** FROM 2011 TO 2016, CALGARY WAS THE FASTEST GROWING CITY (+14.6%) and became the fourth largest CMA in the country with a population of 1,392,609, replacing **Ottawa-Gatineau (1,323,783)**, which fell to fifth place.

Source: Statistics Canada, 2016 Census



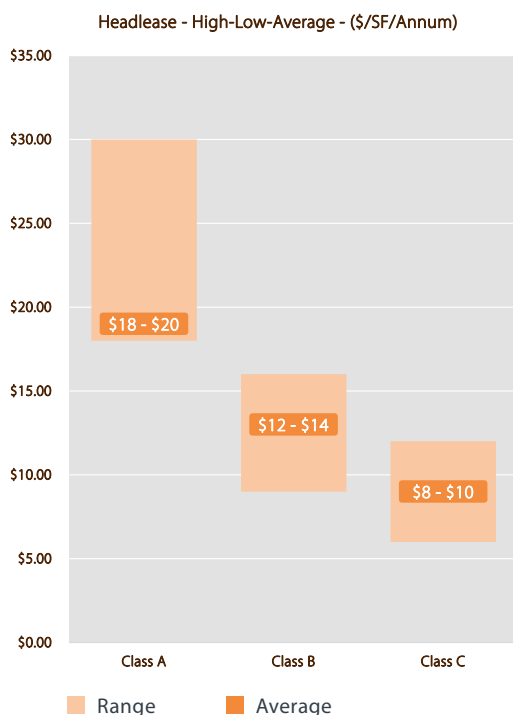
CALGARY OFFICE MARKET AVERAGE TAXES AND OPERATING COSTS

	Class AA	Class A	Class B	Class C	All Classes
Downtown	\$23.93	\$21.03	\$18.12	\$16.36	\$21.21
Beltline	-	\$19.91	\$17.33	\$16.42	\$18.21
Suburban North	-	\$15.42	\$13.28	\$12.14	\$14.32
Suburban South	-	\$15.49	\$14.29	\$9.67	\$14.79
Overall	\$23.93	\$19.04	\$17.06	\$14.46	\$17.99

(per square foot, per annum)



## SUBURBAN NORTH OFFICE MARKET AVERAGE ASKING RENTS



## Suburban South



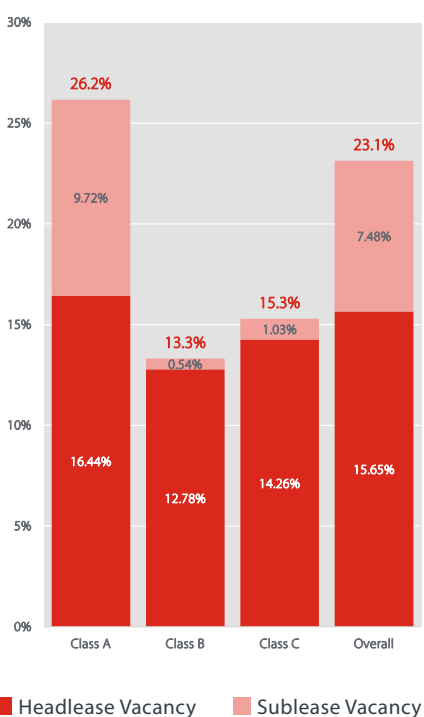
The Suburban South office vacancy rate decreased to 23.1% in second quarter 2017, down from 24.3% in first quarter 2017, but up from 19.7% twelve months ago. Headlease space decreased by 73,000 sf over the last quarter, while sublease space decreased by 10,000 sf. Total vacancy for the Suburban South office market is 2.80 msf, broken down by 1.89 msf of headlease space and 902,000 sf of sublease space.

Second quarter 2017 also saw the more traditional pattern of flight-to-quality in the movement between building classes. There was positive absorption in class A buildings and negative absorption in classes B and C buildings. Vacancy by class is now: class A – 26.2%, class B – 13.3%, and class C – 15.3%.

Absorption in the Suburban South office market for second quarter 2017

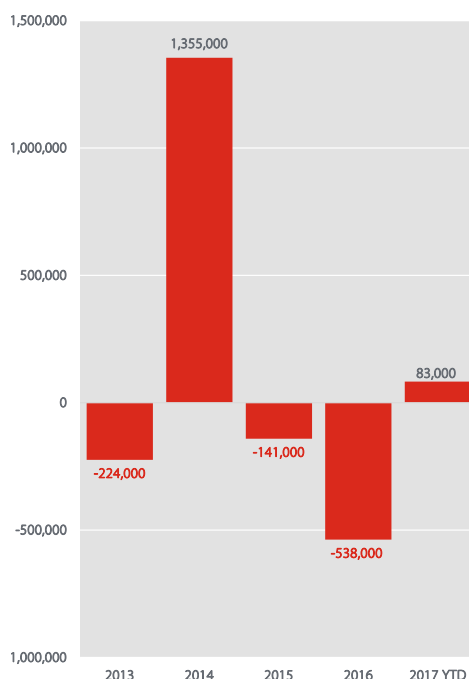
was positive 32,000 sf. Combined with last quarter's positive absorption of 51,000 sf, this is a healthy start for the year and hopefully will continue to build towards the 5-year annual average absorption of 129,000 sf per year or perhaps even the 10-year annual average of 312,000 sf per year. The Suburban South is a popular area among engineering and energy service firms, who have made dramatic capital and employment adjustments in the past two years.

## SUBURBAN SOUTH CALGARY OFFICE VACANCY BY CLASS



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 \$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

## SUBURBAN SOUTH CALGARY ANNUAL OFFICE ABSORPTION



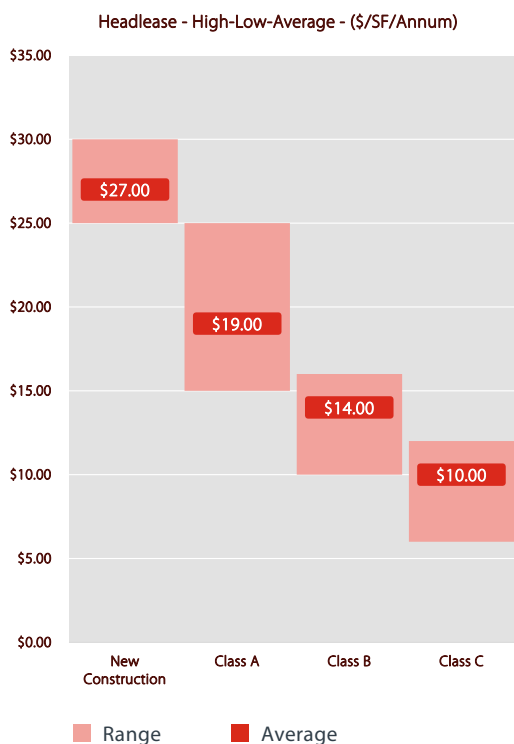
typically range between \$6 and \$12 psf, with the average being approximately \$10 psf. Location, building quality, size of space, and length of term will all play into ultimately determining what the asking rate for a property is. Sublease opportunities can offer substantial discounts from these rates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

Similarly, quoted taxes and operating average \$14.79 psf for all building classes, in the Suburban South market. Class A buildings average \$15.49 psf, class B buildings average \$14.29 psf, and class C buildings average \$9.67 psf.

There are 14 availabilities in Suburban South Calgary with more than 30,000 sf available in one contiguous block. These 14 blocks of space represent 41% of the total availability of space in the Suburban South office market and 49% of this space is available on a headlease basis.

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## SUBURBAN SOUTH OFFICE MARKET AVERAGE ASKING RENTS



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The two new **ATCO Commercial Centre** office buildings were added to inventory in second quarter 2017. These two buildings, containing a total of 200,000 sf, were purpose-built for their owner-user and are 100% leased. 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 11% pre-leased.

The three buildings at **Quarry Crossing II**, which have the underground parkade component completed, have been placed on hold by the developer. The project is now being marketed as available 24-30 months following pre-leasing. No new construction commenced this quarter, however a few smaller suburban office/mixed-use projects are anticipated to commence in the coming months.

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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 New Supply

Building Name	Address	Office Area (sf)	Status	% Leased / Pre-Leased	LEED Target
Brookfield Place Calgary - East	225 - 6th Avenue SW	1,400,000	Complete	79%	Gold

### 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	41%	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 New Supply

Building Name	Address	Office Area (sf)	Expected Completion	% Leased / Pre-Leased	LEED Target
One North Business Centre	1348 Northmount Drive NW	20,000	Complete	0%	
Royal Canadian Legion Building	1910 Kensington Road NW	28,500	Complete	31%	

### 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%	
Royal Vista Centre	2 Royal Vista Link NW	93,000	Q1 2018	22%	

### Suburban South New Supply

Building Name	Address	Office Area (sf)	Expected Completion	% Leased / Pre-Leased	LEED Target
ATCO Commercial Centre 1	5302 Forand Street SW	100,000	Complete	100%	
ATCO Commercial Centre 2	5302 Forand Street SW	100,000	Complete	100%	

### 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	11%	

## FEATURED DOWNTOWN

### Fina Building



736 - 8th Avenue SW  
HEADLEASE Opportunity  
From 1,517 sf up to 12,055 sf

## FEATURED BELTLINE

### Mount Royal West



1508 - 8th Street SW  
HEADLEASE Opportunity  
Up to 30,000 sf

## FEATURED SUBURBAN NORTH

### Deerfoot Court



1144 - 29th Avenue NE  
HEADLEASE Opportunity  
From 1,680 sf up to 6,507 sf

## FEATURED SUBURBAN SOUTH

### Glenmore Business Park



7710 - 5th Street SE  
HEADLEASE Opportunity  
From 929 sf up to 7,446 sf

### Bow Valley Square II



205 - 5th Avenue SW  
SUBLEASE Opportunity  
13,310 sf

### Vintage Towers I & II



322 & 326 - 11th Avenue SW  
HEADLEASE Opportunity  
From 1,952 sf up to 5,373 sf

### Bisma Centre



110 Country Hills Landing NW  
HEADLEASE Opportunity  
6,382 sf

### 6325 - 12th Street SE



6325 - 12th Street SE  
SUBLEASE Opportunity  
From 3,136 sf up to 12,554 sf

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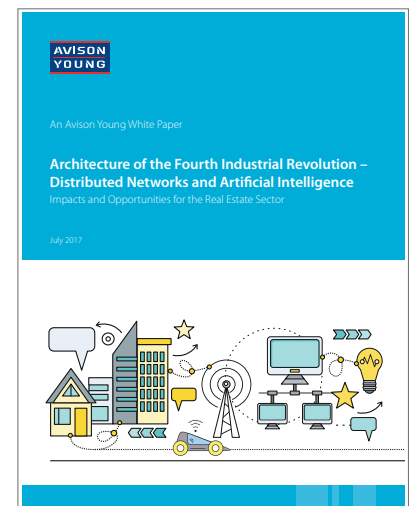
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*Introducing Avison Young's second white paper in a series examining emerging technologies, particularly those that are relevant to the real estate sector:*



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