The Office Report

2nd Quarter **2011**

AVISON YOUNG
Intelligent Real Estate Solutions

The Calgary Market In Review

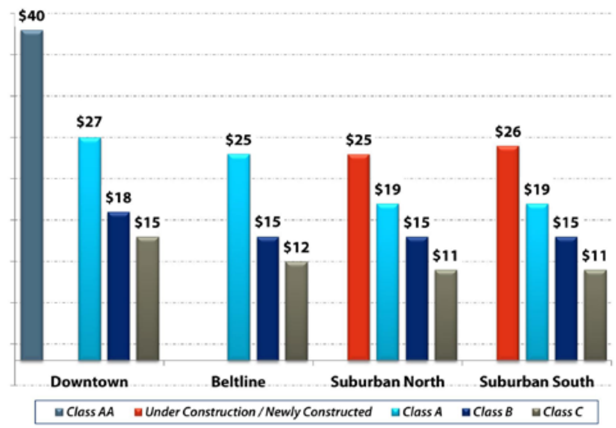
Vacancy lowest since first quarter 2009

Calgary's office market continues to surge with momentum in the second quarter of 2011. Overall vacancy decreased from 9.8% in the first quarter to 8.1% for the second quarter of 2011, the lowest percentage seen since the first quarter of 2009. Energy companies are back in growth mode and committing to additional space. This has created a positive spin off throughout supplementary industries with firms in the engineering and consulting sector expanding and taking advantage of the affordable quality space available. The flight to quality trend that began in the latter half of 2010 can be seen through the decrease of class A vacancy from 7.3% in the first quarter to 5.9% this quarter, and also lower than the overall city wide vacancy. This rapid absorption of space has resulted in an increase in the average asking rates for space in most districts.

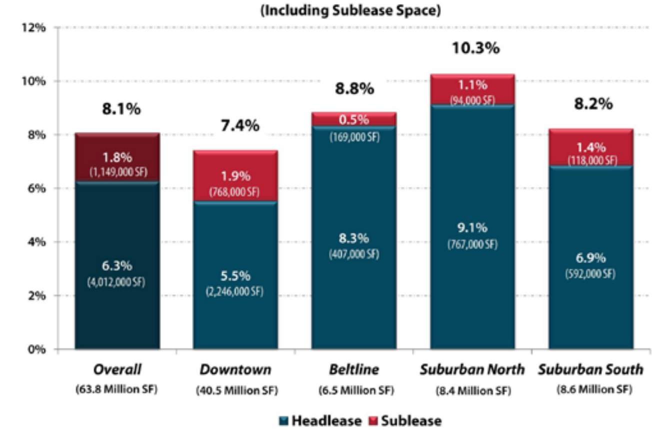
Despite global economic concerns including the Japanese earthquakes and uncertainty in the US economic recovery, Calgary's outlook remains positive. Calgary's economy is forecasted to grow at 3.4% this year, the second strongest of major urban areas in the country, according to The Conference Board of Canada's Metropolitan Outlook released in May. According to the most recent Manpower Employment Outlook Survey, 22% of Calgary area employers plan to hire between July and September, with 72% to maintain current staffing levels, and only 4% anticipating cutbacks.

The energy sector continues to be the dominant force in the office market. Calgary has the highest concentration of science, engineering, business and finance talent in Canada with more than 30 engineers per 1000 workers, according to a City of Calgary publication. Consistent with historical trends, vacancy has decreased as drilling activity increases. Oil prices have traded at record highs due to supply stability. Arab Gulf Oil Company, the biggest petroleum company in Libya, has halted oil production in May, with Suncor Energy also scaling down production in Libya. While operational disruptions have taken place in northern Alberta because of wild fires, fundamentals remain positive going forward. The election of a federal majority Conservative government also provides potential for reduced red tape in the industry and facilitated access to international markets.

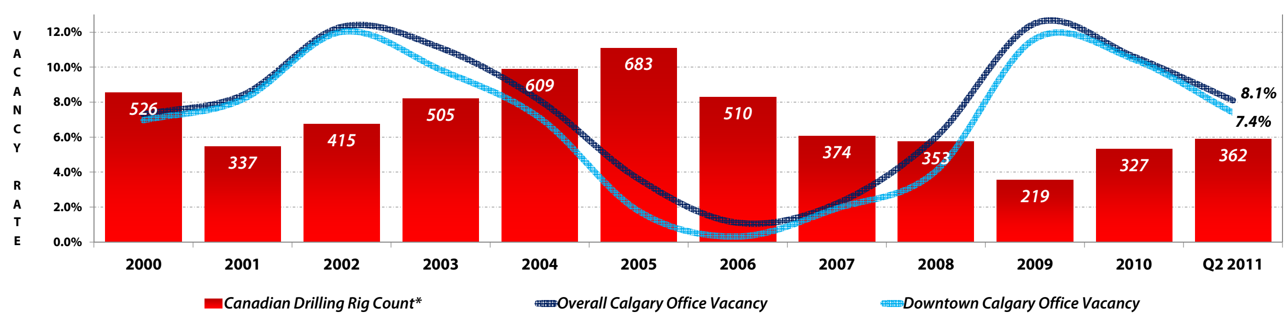
Calgary Office Q2 2011 Average Asking Headlease Rates



Calgary Office Q2 2011 Office Vacancy Rates
(Including Sublease Space)



Canadian Drilling Rig Activity & Calgary Office Vacancy Rates



*Source: Canadian Association of Oilwell Drilling Contractors

Downtown Calgary Notable Lease Deals - Second Quarter 2011

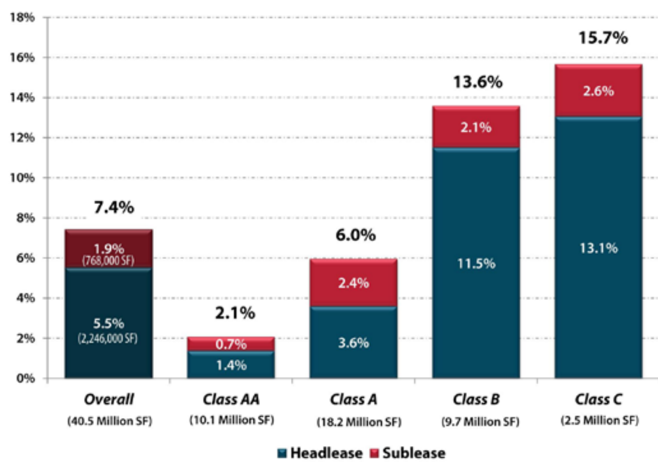
Tenant	Area Leased (SF)	Building	Vacancy Type	Lease Type
Apache Canada*	209,000	TD Canada Trust Tower	Sublease	New
Canadian Natural Resources Ltd.*	178,000	Bankers Hall East	Sublease	Expansion
Baker Hughes Canada*	95,000	Gulf Canada Square	Headlease	Renewal / Expansion
AMEC Americas	46,000	Sun Life Plaza 3 - East	Sublease	New
MEG Energy*	44,000	Cetennial Place - East	Headlease	New
Legacy Oil & Gas*	43,000	Eighth Avenue Place - East	Headlease	New
Qmax Solutions*	22,000	Canada Place	Headlease	Renewal
Daylight Energy	20,000	Suncor Energy Centre - West	Sublease	New
Keywest Projects*	18,000	635 Eighth	Sublease	New
Renegade Oil	13,000	4th & 4th	Headlease	Renewal / Expansion
Keywest Projects*	12,000	635 Eighth	Sublease	New

** Indicates transactions Avison Young was involved with*

Downtown

Strong leasing activity continues to take place in the core with vacancy lowering to 7.4% for the second quarter of 2011. Year to date positive absorption totals approximately 1.2 million square feet (msf). This has resulted in an increase for rental rates, particularly for class AA and class A properties. A positive signal can be seen from Homburg REIT's 50% purchase of Scotia Centre, indicating investor confidence in the market's long term upside. One of Calgary's unique characteristics is its significant number of multi-national company head offices. According to information courtesy of Calgary Economic Development, 114 Calgary based companies are on the FP500 list. Calgary also has the highest concentration of head offices per capita in Canada at 9.3%, and has experienced a 46.2% growth in head offices over the past 10 years. Following a merger with Carma Developers, Brookfield Residential Properties has become the latest head office addition to Calgary. While 2.67 msf of office space is under construction across the city, the fully leased Bow Tower remains the only private sector office project under construction Downtown. SITQ has recently announced plans to move forward on Phase 2 of Eighth Avenue Place in the near future with no specific timeline released, and are believed to be in discussions with a number of tenants. Several other projects Downtown are receiving renewed interest, pending the landing of a lead tenant.

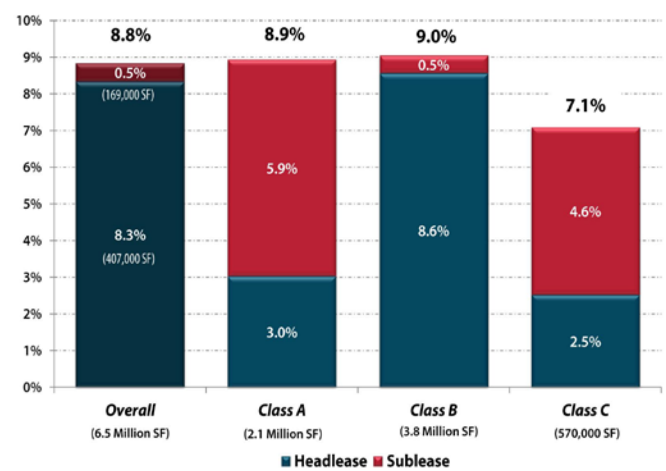
Downtown Calgary Q2 2011 Office Vacancy Rates
(Including Sublease Space)



Beltline

Vacancy in the Beltline edged up to 8.8% for the second quarter of 2011, ending 5 consecutive quarters of decline in vacancy. Addition of the newly constructed Calgary Board of Education Centre (CBE Centre) was the primary driver behind the increase in vacancy rate. The CBE Centre added 240,000 sf to the inventory, of which approximately 70,000 sf is available on a sublet basis. Other properties with larger pockets of space include the Sam Livingston Building, Vintage II, and Dominion Place. Primarily because of sublet space available at the CBE Centre, sublease vacancy for class A properties increased to 5.9% while headlease vacancy is at 3.0%. Average asking rental rates edged up for all property classes in the district. Hanson Square, located along 17th Avenue SW, remains the single Beltline office property under construction, and is anticipated to add 42,000 sf to the inventory by summer 2012.

Beltline Calgary Q2 2011 Office Vacancy Rates
(Including Sublease Space)



Suburban North Calgary Notable Lease Deals - Second Quarter 2011

Tenant	Area Leased (SF)	Building	Vacancy Type	Lease Type
Health Quality Council of Alberta	8,300	811 - 14th Street NW	Headlease	Renewal
Stantec Consulting*	8,300	Stantec Centre	Headlease	New
Contava	6,200	3030 Sunridge Way NE	Headlease	New
Almadon Holdings	5,800	Riley Park Health Centre	Headlease	New

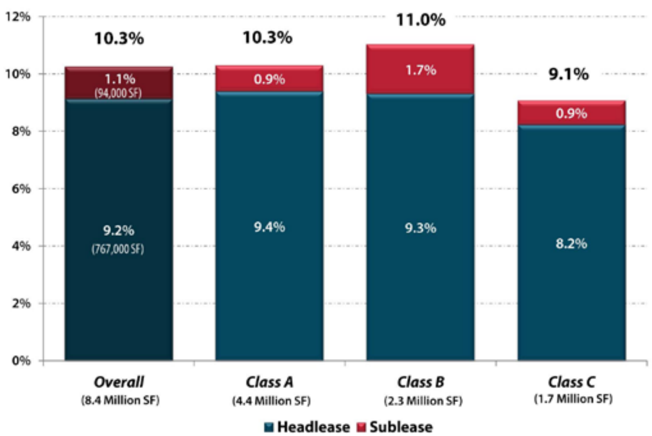
** Indicates transactions Avison Young was involved with*

Suburban North

Overall vacancy in the suburban north decreased from 11.7% in the first quarter to 10.3% in the second quarter of 2011. Particularly impressive was the decrease of sublet available space from 2.4% in the first quarter to 1.1% this quarter. Rental rates edged upwards to $19 per square feet (psf) for class A, $15 psf for class B, and $11 psf for class C properties in the district. The largest pockets of space can be found at Vista Heights Office Complex in the Northeast and Cambrian Wellness Centre I & II in the Northwest. These three properties combine for over 200,000 sf of headlease space available in the Suburban North.

The WinSport Office Tower is under construction in the Northwest district, with occupancy expected in the latter half of 2011. We understand they are close to landing a deal for the balance of their vacancy. Continued movement by tenants to higher quality space is anticipated as new space becomes available.

Suburban North Calgary Q2 2011 Office Vacancy Rates
(Including Sublease Space)



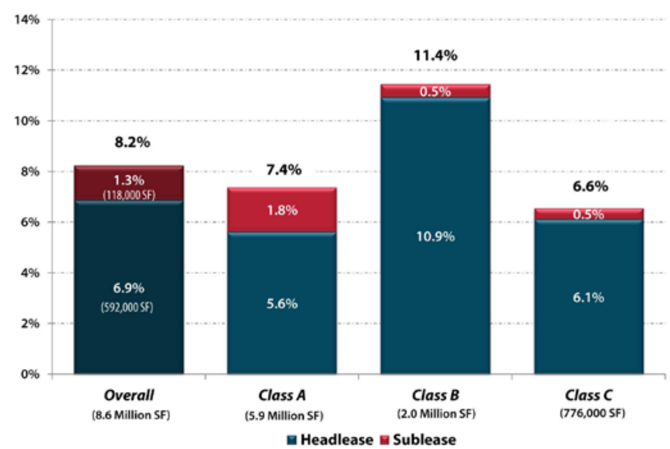
Suburban South

Vacancy for the Suburban South decreased to 8.2% for the second quarter of 2011, with average asking rental rates holding steady across all class A, B, and C buildings. Growth in the energy sector has encouraged firms providing supplementary services to expand. Engineering and IT consulting firms such as Genivar Engineering and E.S. Williams & Associates continue to absorb space in the Suburban South.

There are currently five buildings under construction in the district, with 4 of them located in the Southeast. Westmount Corporate Campus Building 4 is the lone project in the Southwest with expected completion towards the end of 2012. Atlantic Avenue Art Block will be first to market with expected occupancy this fall. Quarry Central, as well as Parkside A and B in Quarry Park are scheduled for completion from late 2012 to summer 2013.

Atlantic Avenue Art Block
1005 - 9th Avenue S.E.

Suburban South Calgary Office Q2 2011 Vacancy Rates
(Including Sublease Space)



Suburban South Calgary Notable Lease Deals - Second Quarter 2011

Tenant	Area Leased (SF)	Building	Vacancy Type	Lease Type
Genivar Inc.*	14,500	405 - 18th Street SW	Sublease	New
E.S. Williams & Associates*	9,700	Phillips Centre	Headlease	New
Terralog Technologies*	6,500	Atlantic Avenue Art Block	Headlease	New
1333361 Alberta Ltd.*	6,500	Heritage Hill Shopping Centre	Headlease	New
Alliance Psychological Services	5,000	Centre 70	Headlease	Renewal

** Indicates transactions Avison Young was involved with*

AVISON YOUNG FEATURED OFFICE LISTINGS

Place 9-6
940 - 6th Avenue SW

Up to 82,000 SF
Downtown Office
Head Lease Opportunities

8West
903 - 8th Avenue SW

Up to 78,194 SF
Downtown Office
Headlease \ Sublease

Northwest Centre I & II
4500 & 4520 - 16 Avenue SW

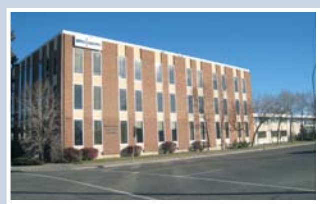
8,940 SF - 46,309 SF
2 Building Office Complex
Suburban Office
Head Lease Opportunities

Stockman Centre
2116 - 27 Avenue NE

438 SF - 8,134 SF
Suburban Office
Headlease Opportunities

Vintage II
326 - 11th Avenue SW

3,433 SF
Downtown Office
Sublease Opportunity



2540 Kensington
Road NW

Up to 43,000 SF
Suburban Office
Headlease Opportunities

For full brochures on any of our listings, please visit us at: www.avisonyoung.com

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