



Commercial Real Estate Services, Worldwide.

Fall 2021

Calgary Market Report

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NAI Advent Commercial Real Estate Corp.

Report Contributors

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DOWNTOWN OFFICE TRENDS

SQ FT Net Absorption (YTD)	-	676,545
Vacancy Rate	↑	32.41%
Asking Rental Rates (PSF)		
AA Class	↔	\$24.00
A Class	↔	\$14.00
B Class	↔	\$10.00

INDUSTRIAL TRENDS

SQ FT Net Absorption (YTD)		5,129,586
Vacancy Rate	↓	3.7%
Asking Rental Rates (PSF)	↔	\$9.47
SQ FT Delivered to Market (YTD)		308,850
SQ FT Under Construction		2,309,411

SUBURBAN OFFICE TRENDS

SQ FT Net Absorption (YTD)		105,500
Vacancy Rate	↔	23.9%
Asking Rental Rates (PSF)	↓	\$15.23
SQ FT Delivered to Market (YTD)		195,360
SQ FT Under Construction		411,624

RETAIL TRENDS

SQ FT Net Absorption (YTD)		1,019,333
Vacancy Rate	↑	3.48%
Asking Rental Rates (PSF)	↔	\$25.99
SQ FT Delivered to Market (YTD)		813,431
SQ FT Under Construction		978,017

Albertan Macro-Economic Overview

The Economy & The Global Pandemic

Coming out of a difficult 2020, Alberta's economy has come back stronger than original forecasts. The biggest driver came from higher than expected commodity prices. As well 80% of Albertans aged 12 and up now fully vaccinated so there is more consumer spending with restaurants, gyms, and bars opening up. Statistics Canada show that seasonally adjusted retail sales went from \$7.31 billion in July to \$ 7.33 billion in August (a 4% increase). Retail sales in Alberta were 12.8% higher than in August 2020 and 7.9% higher than in August 2019.

Ninety thousand jobs have been added to the Alberta workforce resulting in the province being just 1% below pre-COVID levels. The GDP has risen to 4.5%, with the Alberta government forecasting an increase of an additional 4.3%. A recent Alberta Government press release announced the provincial deficit has dropped by \$1.4 billion leaving Albertans with a still very high but declining \$9.1 billion deficit.

Alberta's manufacturing sales value increased by an impressive 40.2% from August 2020 to \$7.2 billion in August 2021. All product categories increased, with Petroleum and Coal products increasing the most, up +85.1% to \$1.9 billion.

As of July 1, 2021, Alberta's population was 4,442,879. Alberta added 4,107 residents in the second quarter of 2021. Natural population growth contributed 0.12% to overall growth while net international migration amounted to 0.10%. However substantial net interprovincial outflows weighed on the province's population growth (-0.12%). Alberta's year-over-year population growth slowed this quarter to its lowest level since 1987, posting 0.52%. This was slightly below the national rate (0.55%). Most regions in the country experienced slower growth compared with the previous year.

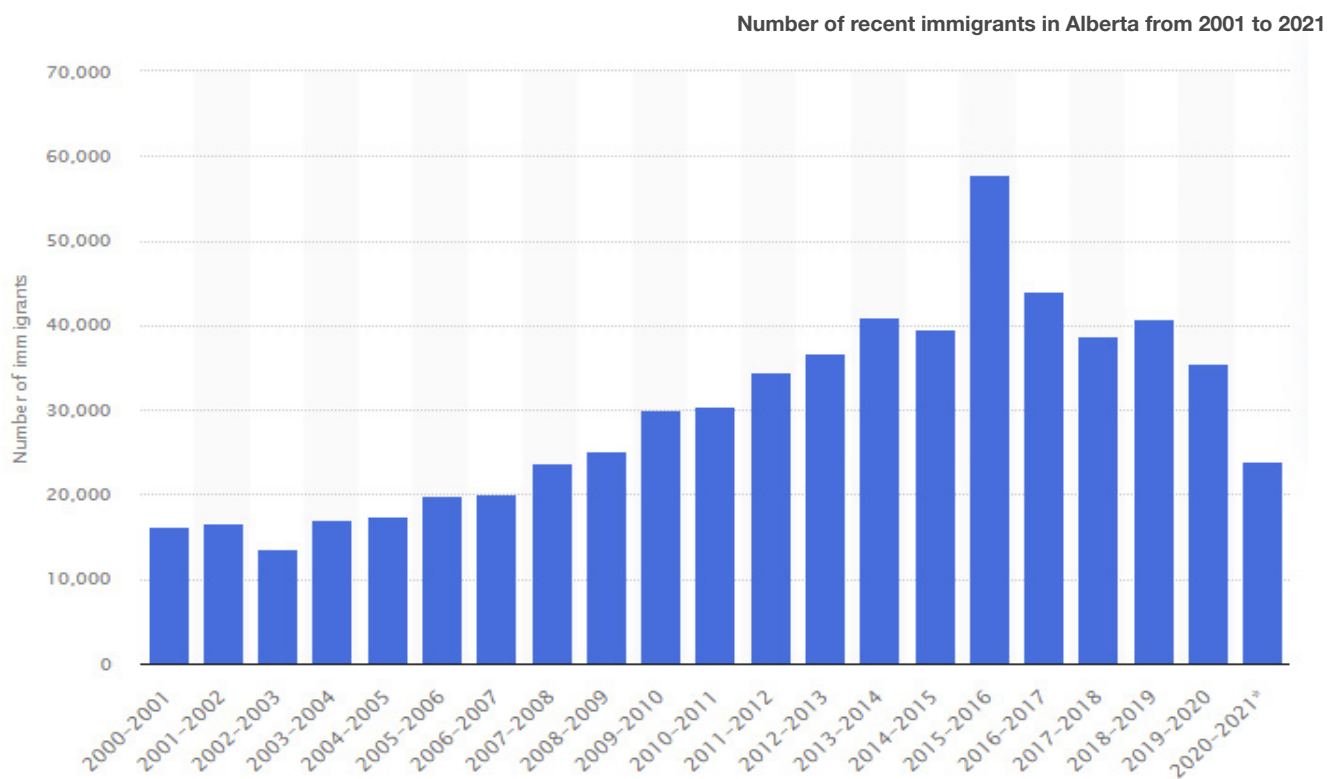


Figure 1

The 2021 Capital Plan will see Alberta invest approximately \$21 billion to build schools, new roads, and hospitals over three years. The plan will support more than 50,000 direct and 40,000 indirect jobs. Although economists are generally optimistic, there is still uncertainty around the slow end to the pandemic, followed closely by long-term unemployment and capital investments in the fossil fuel industry remaining low.

Investing in infrastructure supports trade, tourism and job creation (Figure 2). This is imperative in building strong regional economies. These projects will help strengthen Calgary's economy and foster business development and investment in the city. The City of Calgary is also working towards a one billion dollar downtown Calgary revitalization plan with \$200 million already approved to recover from tax loss due to a 32% office vacancy rate in the core.

The billion-dollar plan will span over the next decade and will include:

- \$45 million for incentives for existing office space to convert to residential, redevelop or look at “adaptive use.
- \$5 million to offset contributions to the Plus-15 fund for residential developments.
- \$55 million for a “downtown vibrancy capital program.
- \$5 million for programming events.
- \$10 million for a “dedicated downtown team” to oversee implementation.
- \$80 million for the previously announced Arts Commons transformation.



Calgary Major Projects

PROJECT	COST	TIMING	STATUS
Calgary - Banff Rail Link	\$1.0B	Commencing 2022	Proposed
Calgary Arena and Events Centre	\$608.0M	2021-2024	Proposed
Calgary Cancer Centre	\$1.4B	2017-2023	Under Construction
Edmonton - Calgary High Speed Rail Line	\$9.0B	Commencing 2023	Proposed
Green Line LRT, Stage 1	\$5.5B	2021-2026	Proposed
Stonegate Landing	\$3.0B	2010-2021	Under Construction
West Calgary Ring Road	\$1.2B	2019-2026	Under Construction

Figure 2

HOW COVID-19 HAS IMPACTED EACH COMMERCIAL REAL ESTATE MARKET

| Retail

Virtually all retailers have now adopted the “vaccine passport” exemption program put forward by the provincial government and are checking for vaccinations to allow entry into their establishments. Although reluctant to do so at first, the program lights a clear path and gives certainty, where none was prior, on how to get their customers back in the stores, gyms, and restaurants. Many of those on life support from the government are now back to self-sufficiency, even if it means at a slightly high cost of doing business. CERA and CERB programs are about to expire. However, it appears the vast majority of businesses are ready to go without the government subsidies, with upwards of 81% of the population double vaccinated and willing to show proof of it to get back to a sense of normality.

It is welcome news to see restaurants able to facilitate indoor dining at full capacity. Pro Sports and other gathering events are back in business, and bars and clubs are now allowing dancing and socializing (with certain restrictions).



| Office

Covid-19 still is having an effect on office-space dynamics, with some companies and employees still working almost 100% remotely. Office markets are now experiencing a paradigm that is not yet settled.

A resurgence in oil prices and renewed spending plans of oil and gas tenants has led to a somewhat renewed interest in the Calgary Core office leasing market. Some oil and gas operators are getting employees back into their offices, while others are still holding back. If oil prices continue to hold or go up and tech and other industries start to backfill into these cheaper spaces, the core could get off life support in the foreseeable future. Some more positive news on the office market comes from a report from CBRE referencing

Calgary as a top 10 city in North America to watch for growth in the high tech industry. We have a long way to go, but the trend is finally looking upwards!

| Industrial

The Calgary industrial market continue to be very robust. Covid-19 seems to no longer be impeding leasing or purchasing real estate in the industrial marketplace. The proof is evident in Calgary and the immediate surrounding markets, with vacancy rates now dropping to a very robust 3.7%. As a result, there are significantly fewer and fewer Owner/User and small bay properties for sale or lease.

Specialized heavy manufacturing space remains relatively abundant on the market, but with scarce new build square footage in the pipeline, even that “awkward” space could start getting some attention from buyers looking for bargains.

Looming inflation and continued record-low borrowing rates are also fueling buyers and entrepreneurs to enter the market (as purchasers in particular). However, economists and pundits don't think this will or can last, and inflation has been very high averaging over 3% for the last quarter; it appears now may be the time to stake your claim.



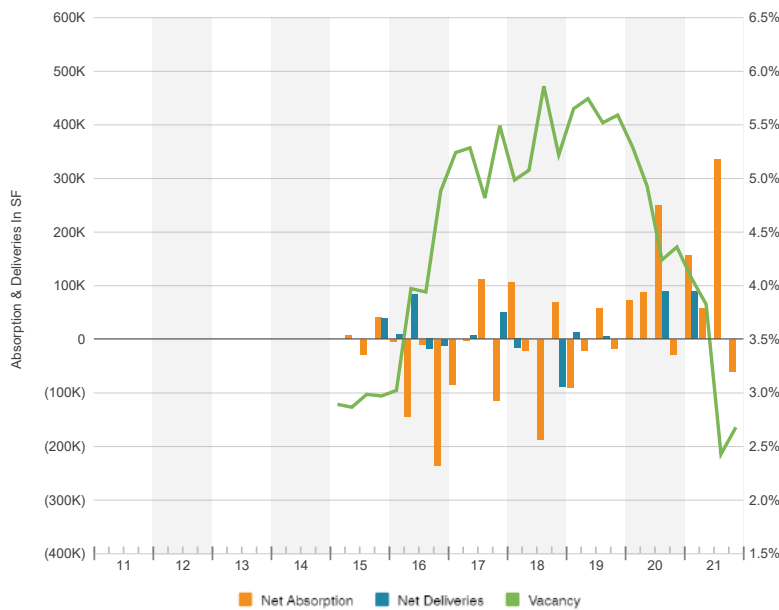
INDUSTRIAL MARKET OVERVIEW

South Central Industrial Market

Industrial Tenants are faced with increased scarcity of space in the South Central Market as we see vacancy dropping once again down to 2.4% in Q3 of 2021 from 3.8% in Q2 (see Figure 3). This market continues to be a popular destination for businesses of the service sector. In recent years, an influx of gyms, indoor golfing, and other instructional facilities have established themselves in the south-central market.



South Central Net Absorption, Net Deliveries & Vacancy



Source: CoStar

A recent example of this is Golf Performance Canada who recently moved into 11,389 square feet at 7005 - 6th Street SE during Q3, or Elbow Valley Soccer Association and Epic Fencing moving into 19,288 and 17,000 square feet respectively in Highfield. As well, the South Central market has the lowest vacancy rate amongst all Industrial markets in Calgary. Lease rates have seen only modest uptick over Q2 even with vacancy rates at five year low. This is due to the drastic increases in operating cost caused by inflating property taxes.

Area	Net Absorption SF (Q2 2021)	Net Absorption SF (Q3 2021)	Avg. Net Asking Rate (Q2 2021)	Avg. Net Asking Rate (Q3 2021)	Avg. Net Market Rate (Q2 2021)	Avg Net Market Rate (Q3 2021)	Market Cap Rate (Q2 2021)	Market Cap Rate (Q3 2021)	Vacancy (Q2 2021)	Vacancy (Q3 2021)	Availability (Q2 2021)	Availability (Q3 2021)
East Fairview	19,748	31,446	\$11.80	\$11.75	\$10.21	\$10.30	6.33%	6.39%	6.10%	4.50%	3.50%	3.10%
North Manchester	20,077	5,144	\$7.66	\$11.00	\$9.45	\$9.47	6.27%	6.30%	1.00%	0.80%	2.00%	2.00%
South Highfield	-8,218	52,980	\$7.18	\$6.83	\$9.39	\$9.42	6.18%	6.24%	3.80%	2.00%	10.80%	9.70%
Highfield	24,909	82,311	\$6.78	\$6.46	\$8.85	\$8.89	6.29%	6.34%	5.40%	2.40%	7.70%	5.70%
Riverview	-430	6,399	\$10.85	\$10.43	\$9.35	\$9.49	6.37%	6.42%	5.70%	5.10%	6.30%	6.10%
Fairview	-554	21,846	\$10.41	\$11.49	\$10.06	\$10.13	6.23%	6.32%	4.50%	2.80%	4.70%	3.80%
Burbank	-9,336	7,643	\$8.28	\$8.15	\$9.26	\$9.35	6.34%	6.41%	5.80%	5.10%	16.20%	9.30%
South Manchester	526	32,540	\$8.91	\$10.23	\$10.38	\$10.47	6.19%	6.26%	3.20%	2.40%	3.70%	3.50%
Bonnybrook	10,753	-10	\$9.74	\$8.03	\$9.82	\$9.85	6.40%	6.40%	1.30%	1.30%	2.40%	1.90%
Alyth	NA	-9,309	\$10.00	\$10.00	\$9.51	\$9.49	6.30%	6.38%	0.00%	2.50%	1.00%	2.50%
Ramsay	103	104,337	\$6.56	\$13.49	\$8.43	\$8.53	6.45%	6.48%	9.20%	2.40%	9.20%	6.00%
Total	57,578	335,327	\$8.13	\$8.55	\$9.61	\$9.67	6.29%	6.34%	3.80%	2.40%	5.70%	4.60%

Figure 3 | Source: CoStar

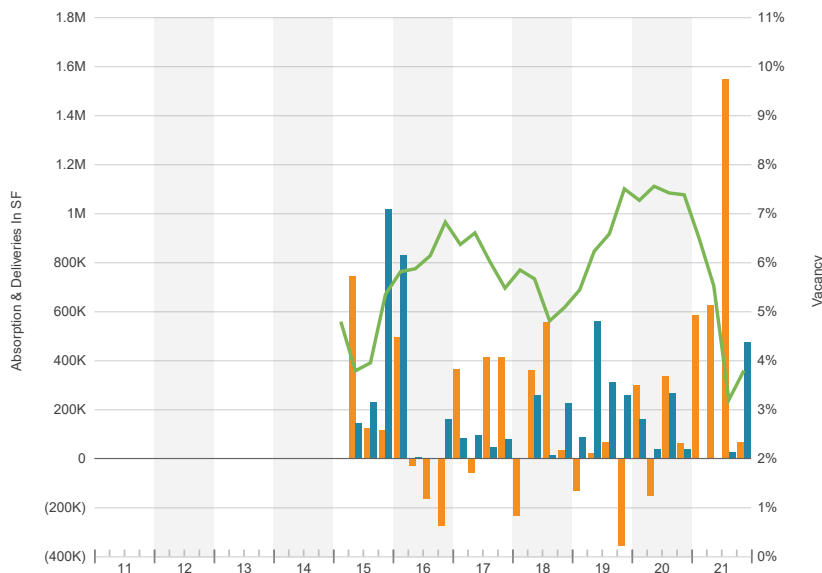
South East Industrial Market

We will continue to see industrial mergers and acquisitions as we head into the fall and winter of 2021. Likewise, logistics and distribution will continue to thrive as demand continues to grow for e-commerce and the distribution of consumer goods.

The switch from Q2 to Q3 has demonstrated continued strength in the industrial sector for tenants and buyers alike. We saw a decrease in vacancy rate by 42% as the net absorption increased a whopping 70% from last quarter. As inventory continues to be sought after and availability continues to decrease, we will likely see an average net asking rate increase over the fall and winter months and into 2022, as new supply will be minimal in the next two quarters of 2022.



South East Net Absorption, Net Deliveries & Vacancy



Source: CoStar

Area	Net Absorption SF (Q2 2021)	Net Absorption SF (Q3 2021)	Avg. Net Asking Rate (Q2 2021)	Avg. Net Asking Rate (Q3 2021)	Avg. Net Market Rate (Q2 2021)	Avg Net Market Rate (Q3 2021)	Market Cap Rate (Q2 2021)	Market Cap Rate (Q3 2021)	Vacancy (Q2 2021)	Vacancy (Q3 2021)	Availability (Q2 2021)	Availability (Q3 2021)
Shepard	89,591	76,227	\$12.37	\$12.29	\$10.32	\$10.37	6.16%	6.16%	3.80%	2.80%	4.10%	4.70%
Valleyfield	29,366	20,024	\$8.28	\$8.26	\$8.64	\$8.68	6.28%	6.30%	2.90%	1.70%	4.20%	3.10%
Starfield	7,562	12,413	\$5.47	\$6.09	\$8.11	\$8.14	6.18%	6.15%	2.50%	2.10%	10.10%	11.40%
Southbend	11,349	14,646	\$13.40	\$13.51	\$10.44	\$10.50	6.12%	6.18%	1.60%	0.70%	1.90%	1.60%
Section 23	9,617	677	\$14.89	\$14.77	\$8.69	\$8.73	6.07%	6.03%	1.80%	1.70%	3.20%	2.90%
Point Trotter	-13,528	46,200	\$11.36	\$10.98	\$8.91	\$8.97	6.03%	6.04%	2.60%	1.70%	4.90%	4.80%
Great Plains	-2,869	680,636	\$10.72	\$10.74	\$8.70	\$8.76	6.14%	6.09%	13.40%	5.60%	11.90%	13.80%
Golden Triangle	3,360	34,095	\$11.78	\$11.78	\$11.23	\$11.17	6.06%	6.15%	7.90%	3.10%	4.50%	3.70%
Frontier	-1,987	20,300	\$14.71	\$23.19	\$11.37	\$11.39	6.04%	6.10%	0.80%	0.30%	2.70%	3.40%
Forest Lawn	-517	12,328	\$10.34	\$10.87	\$9.04	\$9.12	6.19%	6.21%	3.10%	2.30%	7.90%	7.60%
Foothills	196,650	435,276	\$7.98	\$8.17	\$8.76	\$8.81	6.27%	6.28%	5.90%	4.00%	5.70%	5.00%
Eastfield	160,451	28,640	\$10.59	\$12.59	\$10.08	\$10.12	6.28%	6.33%	2.50%	1.40%	3.60%	4.90%
East Shepard	-3,911	149,501	\$10.73	\$10.57	\$8.62	\$8.68	6.10%	6.08%	2.80%	1.20%	3.60%	3.10%
Duffern SE	NA	102,624	\$8.39	\$8.39	\$8.20	\$8.27	6.20%	6.16%	4.40%	0.50%	2.80%	1.50%
84th Street Corridor	16,358	19,989	\$13.25	\$13.20	\$10.98	\$11.00	6.20%	6.28%	3.40%	3.00%	5.90%	5.60%
Total	501,492	1,653,576	\$9.66	\$9.75	\$9.22	\$9.28	6.19%	6.19%	5.50%	3.20%	6.10%	6.20%

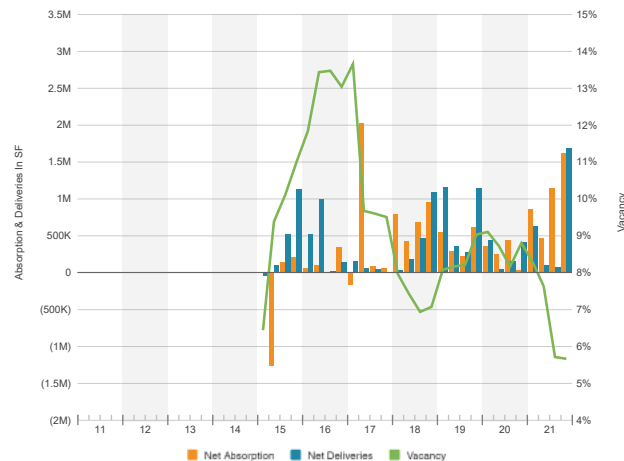
Figure 4 | Source: CoStar

North East Industrial Market

The NE industrial market has proven to be extremely resilient. Even with the unprecedented challenges the Covid-19 pandemic has brought, industrial properties in the NE are getting leased and sold at improved prices. This market is currently seeing its lowest vacancy rates since before 2015. A couple of key driving factors behind the success of the NE industrial market are the continued need for distribution/logistics space and the number of small bay spaces in the area.



North East Net Absorption, Net Deliveries & Vacancy



Source: CoStar

With its close proximity to the airport and substantially lower property taxes, we are continuing to see large corporations setting up distribution facilities in the Balzac area. Providing over a quarter-million square feet in absorption in Q3, and with over 1.5 million square feet under construction at the time of writing this, it appears the future for industrial property in Balzac will remain strong and continue to grow.

Area	Net Absorption SF (Q2 2021)	Net Absorption SF (Q3 2021)	Avg. Net Asking Rate (Q2 2021)	Avg. Net Asking Rate (Q3 2021)	Avg. Net Market Rate (Q2 2021)	Avg Net Market Rate (Q3 2021)	Market Cap Rate (Q2 2021)	Market Cap Rate (Q3 2021)	Vacancy (Q2 2021)	Vacancy (Q3 2021)	Availability (Q2 2021)	Availability (Q3 2021)
Outlying NE/Balzac	91,344	238,104	\$10.73	\$11.24	\$9.39	\$9.46	6.23%	6.30%	7.60%	6.20%	4.60%	4.40%
Airport Hangers	-44,082	47,507	\$13.85	\$12.33	\$9.44	\$9.51	6.31%	6.37%	9.40%	6.50%	10.50%	7.20%
Stoney 3	191,985	191,870	\$14.75	\$15.75	\$9.57	\$9.65	6.30%	6.35%	17.30%	10.50%	4.40%	4.50%
Stoney 2	107,433	167,993	\$11.48	\$11.80	\$9.40	\$9.48	6.44%	6.47%	12.80%	9.30%	16.70%	7.10%
Stoney 1	14,250	36,593	NA	NA	\$8.84	\$8.93	6.20%	6.23%	3.60%	2.30%	3.60%	3.60%
Westwinds	14,442	164,078	\$11.17	\$11.18	\$11.35	\$11.47	6.33%	6.35%	8.40%	0.80%	1.30%	1.20%
Pegasus	13,862	-12,750	\$13.20	\$12.19	\$10.68	\$10.67	6.03%	6.13%	0.80%	3.50%	5.20%	11.70%
Deerfoot Business	-6,540	9,668	\$8.17	\$8.13	\$8.95	\$9.03	6.35%	6.39%	3.40%	3.20%	3.50%	2.90%
Skyline East	4,310	41,578	\$8.50	\$8.29	\$9.28	\$9.40	6.06%	6.11%	16.30%	13.10%	21.40%	20.30%
Skyline West	NA	-5,550	\$8.75	\$8.75	\$9.96	\$9.92	6.22%	6.31%	1.20%	1.90%	3.40%	11.10%
Greenview Industrial	207	15,680	\$8.68	\$8.67	\$10.29	\$10.34	6.16%	6.23%	1.50%	1.00%	5.10%	3.80%
McCall	45,760	64,405	\$9.95	\$8.65	\$9.51	\$9.53	6.03%	6.11%	5.00%	3.00%	6.20%	5.30%
North Airways	13,779	34,666	\$9.53	\$9.95	\$9.81	\$9.83	6.11%	6.18%	5.10%	3.60%	5.40%	6.10%
Horizon	48,098	-45,040	\$8.72	\$8.00	\$8.91	\$8.99	6.19%	6.23%	4.40%	5.50%	5.20%	5.90%
South Airways	28,809	34,895	\$10.57	\$10.83	\$9.88	\$9.96	6.26%	6.33%	7.30%	6.50%	12.20%	12.50%
Franklin	31,587	87,272	\$10.31	\$8.72	\$8.85	\$8.94	6.40%	6.42%	7.60%	4.40%	8.90%	9.50%
Sunridge	-9,595	37,712	\$12.32	\$10.68	\$9.66	\$9.80	6.20%	6.25%	5.50%	2.90%	5.40%	3.00%
Meridian	-1,897	-57,997	\$12.01	\$12.17	\$9.98	\$10.02	6.11%	6.17%	5.50%	7.80%	6.30%	5.70%
Mayland	6,284	92,017	\$5.93	\$5.90	\$8.99	\$9.12	6.44%	6.44%	12.10%	8.10%	3.60%	2.60%
Total	550,036	1,142,701	\$9.93	\$9.59	\$9.39	\$9.46	6.24%	6.30%	7.60%	5.70%	7.20%	6.20%

Figure 5 | Source: CoStar

RETAIL MARKET OVERVIEW

Over this past quarter, Calgary's retail market has been one of those success stories where every metric that can be used to measure it has exceeded expectations. There is a slew of new businesses that have successfully set up their locations, along with established retailers going for multiple sites. There is also confidence in the market and the demand that retailers have been securing a location in projects that haven't even started construction. All these point towards a strong return of the economy. Over this past quarter, there has been an absorption of 267,536 square feet; along with this recent slew of activity, an apparent winner can be seen is the franchise Quick Serve Restaurant(QSR) market.

Calgary has been able to attract popular franchises from all over the world, such as the Halal Guys, Dave's Hot Chicken, California Pizza Kitchen, Church's Texas Chicken and more to follow. With the market sentiment of seeing these new businesses coming and the changes in consumer behaviour in adopting a broader palate of taste and culture, it is a positive market indicator.

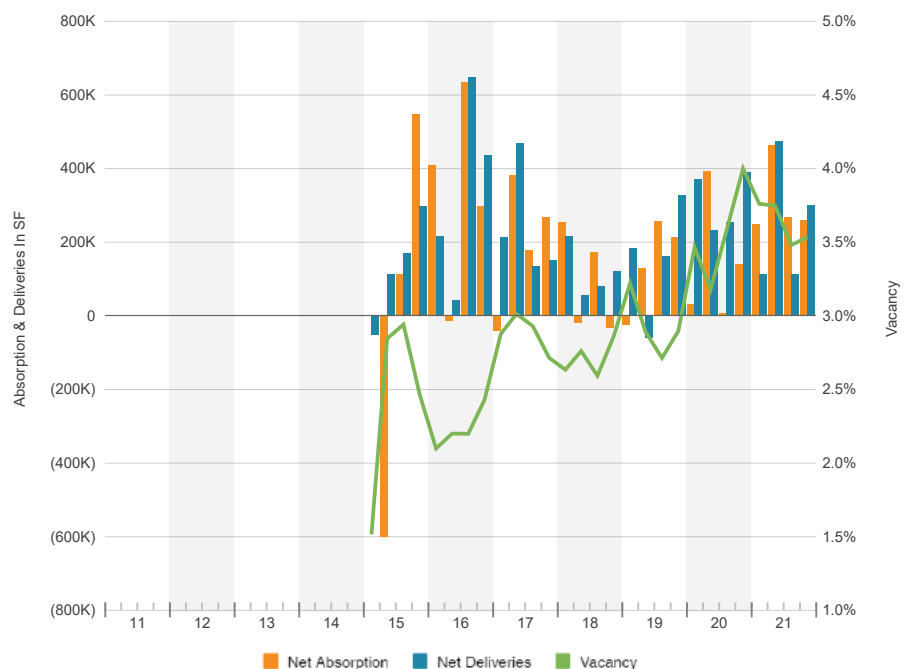
We strongly predict that Calgary will continue to see a very active market in the next few months. The market has been more favourable for landlords, but there are some deals that people can still look out for. This year's more notable transactions have been Decathlon Sporting Goods store that recently opened in the Southcentre mall and K9 companions, which secured their location in the beltline. Both these businesses have taken on a large footprint, and it shows that they are invested in the city and helping grow the retail sector.

5.59%
CAP RATE

3.48%
VACANCY

\$25.99
RENTAL RATE

Retail Net Absorption, Net Deliveries & Vacancy



Source: CoStar

Area	Net Absorption SF (Q2 2021)	Net Absorption SF (Q3 2021)	Avg. Net Asking Rate (Q2 2021)	Avg. Net Asking Rate (Q3 2021)	Avg. Net Market Rate (Q2 2021)	Avg. Net Market Rate (Q3 2021)	Market Cap Rate (Q2 2021)	Market Cap Rate (Q3 2021)	Vacancy (Q2 2021)	Vacancy (Q3 2021)	Availability (Q2 2021)	Availability (Q3 2021)
North West	-27,719	74,155	\$23.49	\$24.57	\$31.20	\$31.46	5.50%	5.51%	4.42%	3.18%	4.68%	4.17%
North East	80,096	67,197	\$21.77	\$22.83	\$25.29	\$25.47	5.64%	5.65%	3.30%	2.80%	4.70%	3.70%
South Central	193,007	69,741	\$25.17	\$30.87	\$25.81	\$26.08	5.56%	5.56%	2.80%	2.70%	3.90%	4.70%
South	179,969	54,053	\$26.30	\$26.50	\$27.39	\$27.60	5.57%	5.58%	3.05%	3.52%	4.49%	4.17%
Downtown/Beltline	37,907	2,390	\$20.46	\$26.13	\$26.83	\$27.05	5.68%	5.69%	7.30%	7.20%	10.10%	8.80%
Total	463,260	267,536	\$24.07	\$25.99	\$27.23	\$27.45	5.58%	5.59%	3.75%	3.48%	5.01%	4.57%

Figure 6 | Source: CoStar

DOWNTOWN OFFICE MARKET OVERVIEW

Roughly one year ago, WTI was trading at \$40.00US. One year later and WTI has doubled in price, and E&P companies are cautiously deploying North America's rig fleet and considering further investments to tentatively grow production in 2022 and beyond. The economic sea change brought about by the recovery of oil and natural gas prices has percolated throughout the City but is most keenly felt within the central business district of the Downtown Core.



That being said, even though the Oil & Gas industry as a whole is anticipating much greener fields in the future, an overall vacancy rate of 32.41% will not be filled quickly. There are indications that although the power of the Oil & Gas industry to drive Calgary's economy may still be strong fiscally, it is unlikely to drive the same levels of employment and office demand that it has in past cycles. Technology has allowed the O&G sector to become very lean and very profitable but with a lower headcount, which means Calgary will need to look elsewhere to ensure that the offices of the core are eventually utilized.

The City has embarked upon an ambitious plan to repurpose some of the towers downtown as residential units to solve our vacancy problem.

This has been done successfully in other cities such as Philadelphia, but it remains an open question of how successful it will be here. The first round of applications for the program closed at the beginning of October, with 13 requests filed. Based upon our knowledge, some of these projects have the potential to succeed, while others may be merely Landlords attempting to secure access to municipal funds in the event that they decide to move forward in the near future. The program's success will ultimately be judged by the number of buildings converted and at what cost to the public as it will rely on government subsidies to make it work.

On a further positive note, programs pushed by the Calgary Chamber of Commerce and Calgary Economic Development, both supported by the province, are having success attracting technology firms to our City. At the time of writing, Amazon had just announced a significant additional investment in Calgary, reportedly upwards of 4 billion dollars and significantly raising our local GDP, to build an Amazon Hub that will house and support cloud-based storage and design.

The hope is that the growing influence of the major Tech companies will facilitate further growth within Tech start-ups, which in turn will contribute to additional positive absorption of our excess high-quality office space throughout the City.

An interesting note on my previous comments regarding the core is that, as of yet, additional major M&A within the Oil & Gas sector has not continued into Q3. It may be that many of the potential takeout targets have been protected by the rate of price increases in both WTI and natural gas. It's hard to buy a company when its value increases almost daily, and creditors are more likely to take a "wait and see" approach.

Notable Downtown Office Lease Transactions

TENANT	SF OCCUPIED	BUILDING NAME/ADDRESS	LEASE TYPE
NEO Financial	49,284	The Edison	Headlease
Infosys	48,401	Gulf Canada Square	Sublease
Stikeman Elliot	43,608	Bankers Hall - West	Headlease
Longshore Resources Ltd.	30,000	Fifth & Fifth	Headlease
Jacobs	27,000	First Tower	Headlease

Figure 7 | Source: CoStar

SUBURBAN OFFICE MARKET OVERVIEW

The Suburban market had a relatively slow start to the 3rd quarter of 2021 and then picked up as the summer progressed. This was believed to be due to the opening of the City by the Provincial Government and the easing of Covid 19 restrictions. Companies that had their lease renewal or relocation plans on hold started to look at their requirements moving forward, and some companies required their employees to return to the office.

This increase of activity slowed towards the end of the 3rd quarter. Several companies stopped their search and remained status quo. This is believed to be from the uncertainty of election results and an increase in Covid 19 cases, an increase in restrictions, and the announcement of a 4th wave.

The tenants that have been in the market have continued to choose newer buildings or buildings that have been updated and have additional amenities such as fitness facilities, conference centre's, etc. Landlords have been active in managing and updating their buildings to attract quality Tenants in the market.

The segment that has been most active in the market has been Medical and Technology Tenants. However, there has also been speculation of some Oil and Gas Service companies preliminarily researching the market due to increased energy prices. (see Figure 8 for examples)

We continue to see unsettled trends regarding work from home or hybrid models. Companies have put unutilized space on the Sublet market to save on costs as employees continue to work from home. This may present a future bottleneck if employers decide that their employees should return to the office and Companies that have sublet or let their existing lease expire in favor of a smaller location. As a result, there may be an undersupply of built-out office space.



Notable Suburban Office Lease Transactions

TENANT	SF OCCUPIED	BUILDING NAME/ADDRESS	LEASE TYPE
Traffic Tech	19,390	7315 8 St NE	Headlease
Retrain Canada	16,095	Biscuit Block	Sublease
CASS	15,000	525 28 St SE	Headlease
FrancoSud	9,500	6715 8 St NE	Headlease
Source Energy Services	7,587	Sherwin Block	Headlease

Figure 8 | Source: CoStar



MULTI-FAMILY MARKET OVERVIEW

Recent news for Calgary's multifamily market is the \$45 million city plan to convert empty office space into residential units. With Calgary's downtown office vacancy rate sitting around 32.4% with approximately 12 million square feet of vacant space, it seems like a plausible solution. In June, the City contracted Gensler, a global architectural design firm to research the feasibility of the concept, and they concluded that out of 3.2 million square feet over 28 office buildings, half would be viable candidates for the conversion. Two million square feet could "easily be converted," according to Gensler. The City said it would grant owners of downtown office buildings \$75 a square foot up to a cap of \$10 million per project. On a sliding scale any larger, the subsidy shrinks to \$38 per square foot and diminishes as the size grows.

Components of Population Change in Calgary CMA (2001/2002-2019/2020)
(thousands of persons)

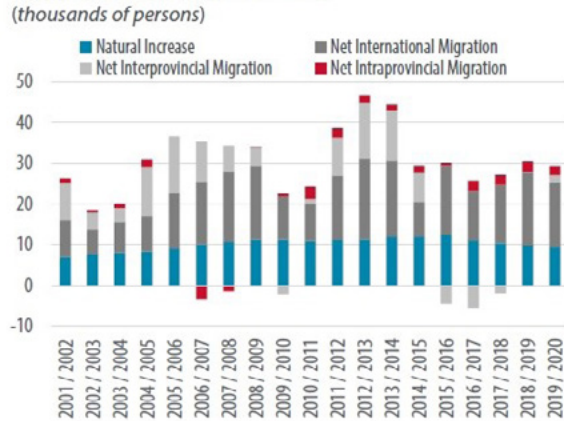


Figure 9 | Source: Statistic Canada, Corporate Economics

The City of Calgary's fall 2020 population forecast was to see an increase from 1,306,400 to 1,323,400 in 2021, up by 1.3%. Calgary grew by 7.2 percent or 93,000 persons between 2016 and 2021, with the population growing by 51.0 percent over the last 20 years, an increase of 447,000 persons.

This growth since 2001 is made up of two major components: net migration, as more people move into the City than move out (234,000), and natural increase (174,000), as yearly births, exceed deaths.

In 2019/2020, 54.0% of migrants to Calgary were from international origins. Over the last five years, 59.7% of people migrating to Calgary were of international origin

Rental Market

Zonda Urban (formerly Urban Analytics) is reporting that the bulk of multifamily development is still purpose-built rentals, with 100 newer purpose-built rental apartment projects across Calgary and satellite communities totalling 12,814 units. 13 of these rental buildings are currently actively leasing, and the remaining 85 buildings have stabilized (85%+ leased) (Figure 10).

Vacancy is the lowest it's been since Q4-2019 with an average of 8.2%; this is down 1.9% from Q2 2021(Figure 10). Rental rates have increased on average 4.3% - an increase from \$2.17 to \$2.26 per square foot. This has led to a decrease in rent discounts and incentives from landlords. The decrease in vacancy for all projects juxtaposed with the 1.2% increase in recently stabilized projects shows the renter profile leans towards new projects compared to those that have been leasing longer. The more recent launches drive this demand in the inner and downtown submarkets, which have been leasing up at the fastest pace. ▶ ▶

**AVERAGE VACANCY PER QUARTER
STABILIZED VS ALL PROJECTS**

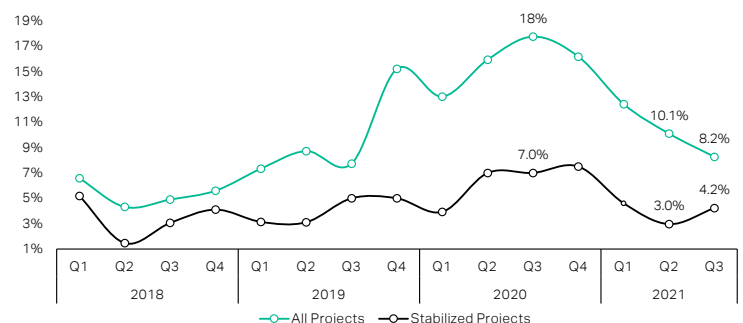


Figure 10 | Source: Zonda Urban

►► Zonda Urban has also reported that Rents have increased for seven of the nine-unit types that turned over in Q3 2021

- One bed, one bath units increased by 2% (\$30/month)
- One bed plus den, one bath units increased by 4% (\$48/month)
- Two bedroom, one bath units increased by 9% (\$129/month)
- Two bedroom, two bath units increased by 3% (\$50/month)
- Two plus den, two-bath units increased by 8% (\$130/month)
- Three bed, two and a half bath townhome units increased by 5% (\$120/month)
- Two bed, two bath penthouse units increased by 4% (\$146/month)

Rents have decreased for two of the nine unit types that turned over in Q 3 2021

- Studio units decreased by 11 percent (\$135 per month)
- Three bed, two bath units decreased by 0.4 percent (\$7 per month)

Condo Market

The newer-built condo market has seen a bit of a revival, with 935 sales in Q3. This is a slight decline from Q2 (6%), but it should be noted that Q3 was the second-highest quarterly sales in the market over the past six years. Zonda Urban reports that the North suburb and South Suburb markets continue to be the strongest, driven by young professionals, investors and downsizers. A higher level of investor activity has pushed the condo market sales up past the townhome sales, which is a regression from the average observed over the past two years.

Pricing has shown an increase across all three build forms (Figure 11), with the average unit price for the market up 1.8% compared to the previous quarter at \$350,933. The pricing increase is broken down to:

- 0.9% for Concrete
- 1.9% for Wood Frame
- 2.4% for Townhome

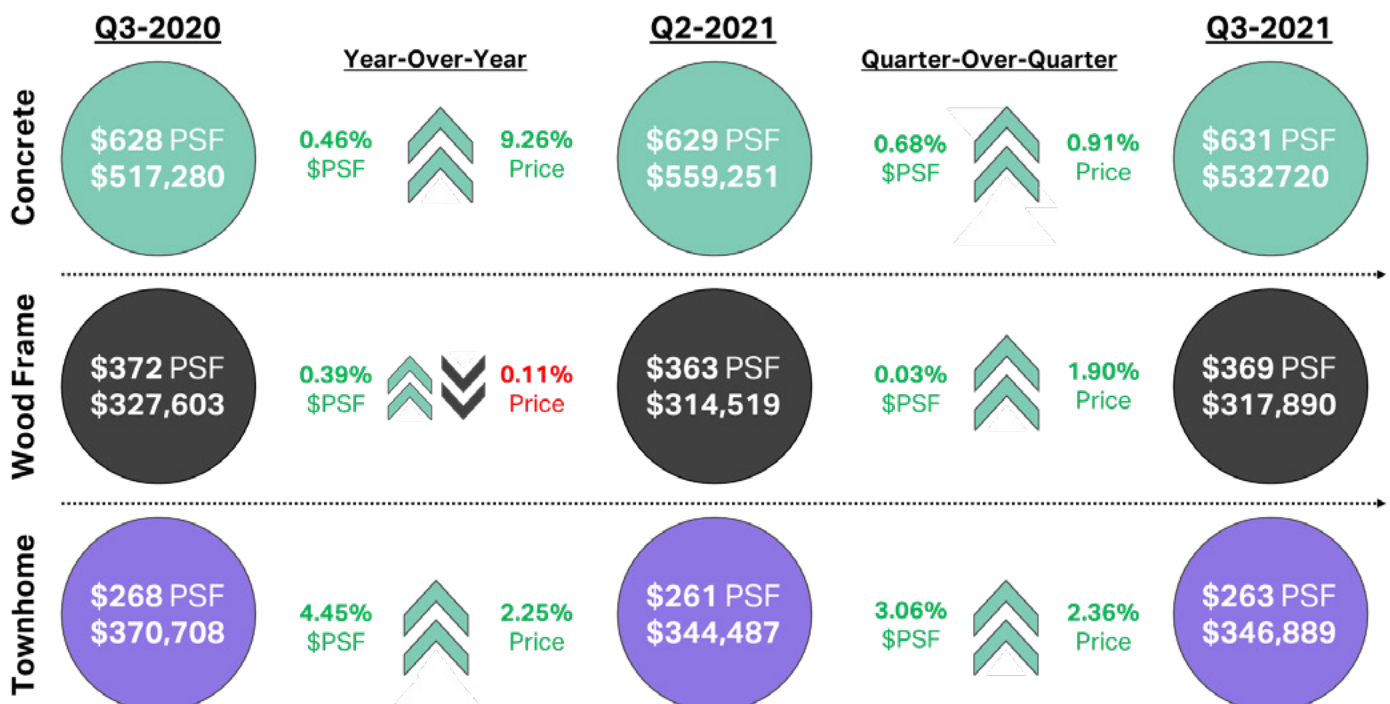


Figure 11 | Source: Zonda Urban

We are geared to handle all our clients' needs under one roof. We specialize in buying, selling and leasing of Commercial Real Estate as well as Property Management, Consulting and Group Investment.

Our goal is to provide a collaborative personalized approach with our clients in creating superior real estate solutions. We offer a unique project-driven approach to the industry which encourages a more long-term strategy than just simply buying, selling, or leasing a property. By doing so, we are able to offer more value to our clients.

Our Brokerage **About Us**

NAI Advent is a full service commercial real estate firm located in Calgary Alberta Canada

We are locally owned and operated yet we have the advantage of being part of one of the largest commercial real estate networks in the world: NAI Global. NAI Global offices are leaders in their local markets and work in unison to provide clients with exceptional solutions to their commercial real estate needs. NAI Global has more than 400 offices strategically located throughout North America, Latin America, Europe, Africa and Asia Pacific, with over 7,000 local market professionals, managing in excess of 425 million square feet of property. Annually, NAI Global completes in excess of \$20 billion in commercial real estate transactions throughout the world.

Our membership in NAI Global keeps our firm on the leading edge of the industry, while allowing us to maintain our local ownership and hometown loyalty. We benefit from the resources of a "corporate office" and hundreds of affiliated account executives worldwide without getting bogged down in bureaucracy. This arrangement makes it possible for us to take advantage of the best resources NAI has to offer and integrate them into a market-specific, and even client-specific approach.

NAI Advent is a progressive full service commercial real estate brokerage serving our five-county area, providing our brokers and their clients with a quality and quantity of services unmatched by our competitors. With our broad based list of specialists in house, we offer a unique project driven approach to real estate which encourages a more strategic and long term strategy than just simply buying, selling, or leasing a property. By doing so, we are able to offer more value-add to most types of commercial real estate.

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Our Sales Team

NAI Advent offers peace of mind that comes from knowing your real estate needs are in capable hands. We take a unique project-driven approach to commercial and industrial real estate which encourages a more strategic and comprehensive focus than just buying, selling or leasing. Our knowledgeable professionals offer extensive experience in their disciplines and a proven track record of successful commercial real estate projects.

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Property & Asset Management

NAI Advent actively manages properties for both investors and owner occupiers to help enhance investment returns. Our wide range of property management capabilities extends to all types of properties, from office, to industrial, to retail facilities. In all instances, our day to day focus ensures properties are managed with quality care and attention to detail and in lock-step with our leasing team to ensure value is maximized whenever possible.

Our services include:

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 - Comprehensive monthly Property Management reports
 - Banking; Monthly financial statements and analysis
 - Annual Budgeting; Financial reporting
 - Annual Operations cost reconciliations
- Property Management Services
- Renewals and Leasing Service
- Owner/Client Liaison

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NAI Advent

Featured Listings



2520 CENTRE AVE NE

Incredible opportunity to purchase a free-standing building with permitted Auto Uses. Large pylon sign. Only 5-10 min to Downtown Calgary and 15 min to Calgary International Airport.

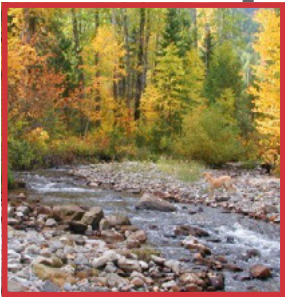
Contact Kimberly Kimball, Brian West or Connor West for more details.



6404 30 ST SE

For Sale or Lease - stand alone industrial building with Tenant in place. Drive-through loading and Make-Up Air. Paint booth negotiable, and can be included with building purchase.

Contact Kaile Landry, Jamie Coulter or Brody Butchart for more details.



FERNIE LAND

228+/- acre residential development land for sale. Proposed for 110 single family lots, 5 multi-family sites & 1 rural residential lot. Fantastic location near excellent amenities and all within city limits.

Contact Jamie Coulter, Brody Butchart or Kaile Landry for more details.



1202 1 ST SW

Judicial Sale: Unique historical building featuring heritage architecture combined with an elegant touch of contemporary style, offering prime street-level retail space with 2nd and 3rd Floor office/retail space. Includes roof-top patio with fireplace, offering amazing 360° views. Excellent strategic location in the trendy Beltline of Calgary,

Contact Jamie Coulter or Larry Gurtler for more details.



150 SAGE HILL RD NW

Exceptional Development Opportunity. Located as part of a fully, master-planned community, that beautifully balances the relationship between natural and urban living. The area is surrounded by a number of neighborhood parks and bike and walkway paths, providing access to outdoor activities year-round. **Contact Harvey Russell or Scott Russell for more details.**



7260 12 ST SE

Office suites for lease in a mixed-use office/warehouse building. Open concept building common area with attractive design features. Conveniently located, overlooking Deerfoot, in between Glenmore & Heritage Dr. BOMA Best Certification.

Contact Steven Heard or Jim Courtney for more details.

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Sources

- Costar
- Zonda Urban
- Government of Alberta
- Calgary Economic Development
- Alberta Energy Regulator
- ATB Owl
- ATB Economics

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