Spring 2021

Calgary Market Report

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DOWNTOWN OFFICE TRENDS

SQ FT Net Absorption (YTD)		- 356,077
Vacancy Rate	↑	31.7%
Asking Rental Rates	↓	11.46
SQ FT Delivered to Market (YTD)		0
SQ FT Under Construction (YTD)		0

INDUSTRIAL TRENDS

SQ FT Net Absorption (YTD)		1,214,474
Vacancy Rate	↓	6.8%
Asking Rental Rates	↔	9.50
SQ FT Delivered to Market (YTD)		409,360
SQ FT Under Construction (YTD)		1,951,434

SUBURBAN OFFICE TRENDS

SQ FT Net Absorption (YTD)		202,908
Vacancy Rate	↑	23.7%
Asking Rental Rates	↓	15.39
SQ FT Delivered to Market (YTD)		98,960
SQ FT Under Construction (YTD)		929,519

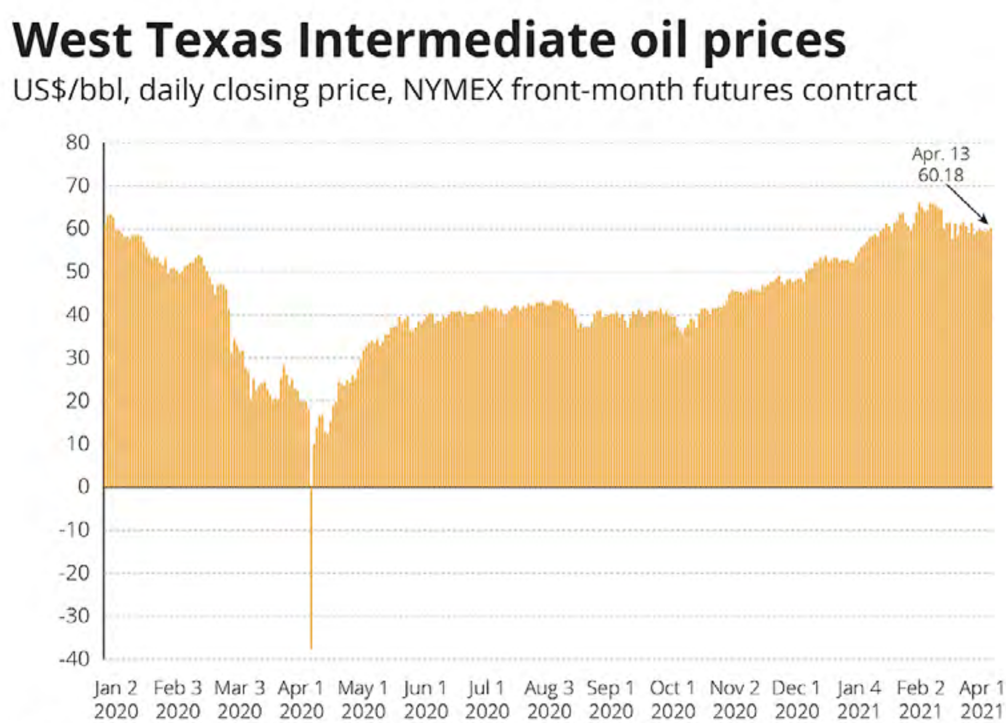
RETAIL TRENDS

SQ FT Net Absorption (YTD)		657,772
Vacancy Rate	↑	3.68%
Asking Rental Rates	↔	24.11
SQ FT Delivered to Market (YTD)		495,261
SQ FT Under Construction (YTD)		818,484

Albertan Macro-Economic Overview
The Economy & The Global Pandemic

Is 2021 the year for an economic rebound in Alberta? After seeing Alberta's real GDP contract by 7.8% in 2020, ATB Economists anticipate a partial rebound with an increase of 4.1% in 2021, followed by another 2.6% increase in 2022. Assuming that the pandemic will be largely under control by the fall with broader vaccine rollouts, this pace puts Alberta on track to surpass pre-pandemic economic output by 2023.

2020 was undoubtedly a very tough year for the energy sector. When it looked like everything was on track to climb out of the 2015 recession, the oil & gas industry took two hard blows in the form of the OPEC oil price crash and the Covid-19 pandemic. After bottoming out at an astounding $-37 per barrel, WTI has been steadily rebounding, and at the time of writing this, it sits at $63.67. With oil prices recovering, Alberta has been able to ramp up production levels, and in November, production surpassed pre-pandemic levels. Capital spending is expected to exceed $500M in the oil & gas extraction sector in 2021, according to Statistics Canada. This is a big step up from 2020, but it is still 31.5% lower than 2019. If WTI prices continue to surpass expectations expect capital spending in the industry to get a much-needed boost.

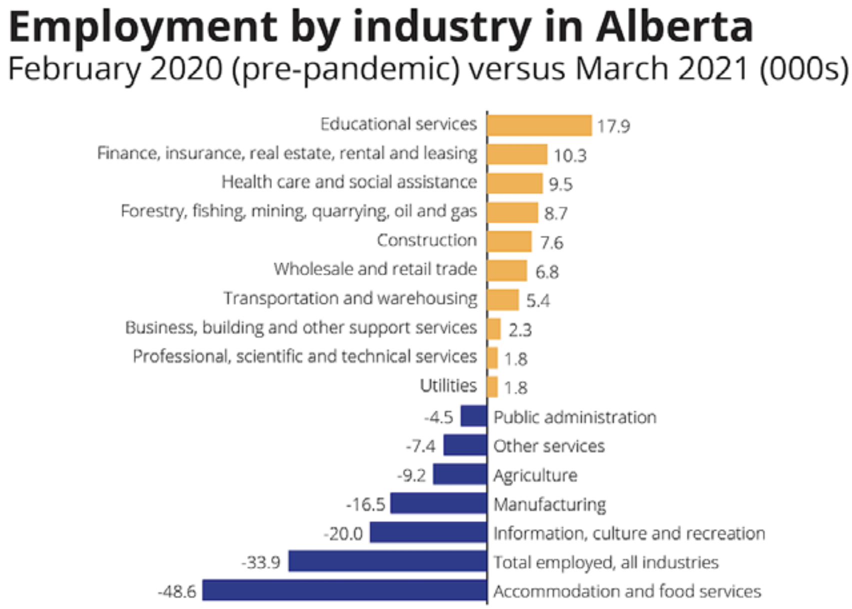


Source: Bloomberg.com

A real shining star in Alberta's economy in 2021 so far has been the housing market. With 1,836 units sold, Calgary home sales reached a seven-year record for the month of February. Expect this "sellers" market to continue through to 2022 with the economic outlook related to the energy sector on the rise and the low cost of living to drive more people to our city. Construction costs will also play their part in the housing market, with lumber costs affecting new housing construction, further strengthening the resale housing market.

Covid-19 Update

The symptoms of the pandemic have been pretty clear and evident in our City, as it has on most developed cities worldwide (we aren't alone in this). Covid-19 has had an impactful effect on two commercial real estate sectors, particularly Office and Retail, akin to the all too familiar "Boom" and "Bust" times, for those old enough to recall.



Source: ATB Economics

The hardest-hit areas have been Retail- Hospitality for the obvious reasons, primarily due to the ongoing public health restrictions, attendance and occupancy limitations, and intermittent business closures, mandated and enforced by the government and health agencies. Many retailers have had to nervously rely on Landlords to assist them through difficult times, and although the provincial and Federal Govt's have offered assistance, in most cases, it is not enough to offset continuing costs and loss of profits, thus leaving many retailers futures in doubt and Landlords with significantly reduced revenues.

Restaurants and Gyms have faced arguably the hardest challenge with AHS and the Province constantly moving the goalposts with new and varied Covid-19 and Variant regulations, protocols, and service standards. We have already lost several notable venues in the City, including Bookers, Dickens, Blink, Mill Street, and Anju; many more are on life support, including every single live music and dance club venue.

All that bad news aside, it does appear the tide may be slowly turning in our favor. With the onset of vaccinations, the decreasing mortality rate (even during the 3rd wave), perhaps this is the shot of "Hopium" that will create the confidence needed for the authorities to relax restrictions permanently and get these critical businesses open and thriving again. Lease enquires are up with all the major brokerage houses, and it appears vendors are ready to get back to business.

The resiliency of the hospitality industry is quite remarkable, and although it appears a full recovery to normality is within reach, it remains to be seen if consumer eating and entertainment habits have changed over the last 14 months.

Covid-19 has effectively closed theatres and events for over a year now. One must wonder how popular is taking in a big screen Movie at the major theatre will be moving forward? Only time will tell; the competition for attention is fierce with Live Streaming, Social Media (i.e., Tik Tok, Instagram, Facebook), and Gaming engagement taking up a bigger and bigger share of the youth market.

Pro Sports and large format concerts and events should hopefully pick up right where they left off due to continued engagement by fans through television and radio throughout the pandemic.

Brick and mortar retailers were already facing a paradigm shift to online and home delivery sales; Covid-19 just sped up the timeline. As the demand skyrocketed and retailers scrambled to maximize their online presence or face catastrophic losses in sales. A recovery looks promising but far from guaranteed for malls, big box, and smaller boutique retailers.

Combined with the crushing impact of the collapse of oil prices in 2019, Covid-19 has only brought more misery to the ailing Office Leasing sector. Many companies are recognizing that a “work from home” strategy may ultimately be better for their company’s bottom line and the retention of staff long term. Saving money on expensive office space, including all the incurred expenses, is an awfully attractive prospect, but only if productivity doesn’t drop off. The new normal or distancing and what’s likely to be a new height in “germaphobia” will only exacerbate the willingness of workers to return to the crowded office workplace.

The City of Calgary is pinning much of its hopes on attracting Tech and other non-O&G industries to the core by extolling the virtues of Calgary and the surrounding area. However, with only modest provincial tax breaks to relocate or set up shop, the rush to move to Calgary’s core has not materialized (so far).

All is not lost; however, the light is visible at the end of the tunnel, and vaccines appear to be the way back to normalcy and public confidence. Looking to those jurisdictions around the globe ahead of us in vaccination rates, we can see promising results. Death rates and positivity rates on testing are dropping, and some American States are opening back up for business, most notably Texas and Florida, with California lifting restrictions as well. With a vaccination rate anticipated to be approaching 75% by July, we could see a full reopening of the Province - and what a welcome relief that would be!

Calgary Commercial Real Estate Market
Market Overview

Calgary's current Commercial Real Estate Market is like a tale of 2 completely different cities. The office market continues to steal the headlines and paints a doom & gloom picture with vacancy rates continuing to hover in the 32% range downtown and 24% in suburban areas. There appears to be no light at the end of the tunnel for the downturn in the office market despite efforts by different levels of government to attract other new industries to the city with a heavy emphasis on the Tech sector. Various mergers and acquisitions in Calgary's oil patch have compounded the problem resulting in more layoffs and even less demand for office space.

While the office market continues to struggle, Calgary's industrial market continues to shine. Calgary has been a major distribution and logistics hub for several years now and the growth in that sector endures. With Lowe's announcing a 1.2 million sq foot distribution center and Amazon increasing their footprint in the area among the numerous other major organizations, either setting up shop in the city or expanding their presence. The distribution sector shows no signs of slowing and has been a huge factor in the net absorption we have seen in the industrial market.

Another pleasant and maybe somewhat unexpected surprise in the industrial market has been the rise of the city's film and television production industry. William F White has recently completed leases in two industrial facilities in the city accounting for approximately 200,000 sq feet of space. The plan is to retrofit these buildings that were originally slated for oil and gas manufacturing into studio space for the film industry. We've seen this industry in Calgary rapidly expand from one purpose-built space of about 50,000 sq feet to over 500,000 sq feet in total over a period of only three months. In addition to the benefits to the real estate market, this expansion should certainly signal an increase in jobs and economic activity in the area.

If we could only get the movie studios and their executives to start taking up office space downtown...

Calgary Major Projects

PROJECT	COST	TIMING	STATUS
Green Line LRT, Stage 1	$4.9B	2021-2026	Proposed
Stonegate Landing	$3.0B	2010-2021	Under Construction
SW Calgary Ring Road	$2.2B	2016-2021	Under Construction
Calgary Cancer Center	$1.4B	2017-2023	Under Construction
Highland Park Redevelopment	$1.0B	N/A	Proposed
West Calgary Ring Road	$1.0B	2019-2024	Under Construction

Industrial Market

South Central Industrial Market

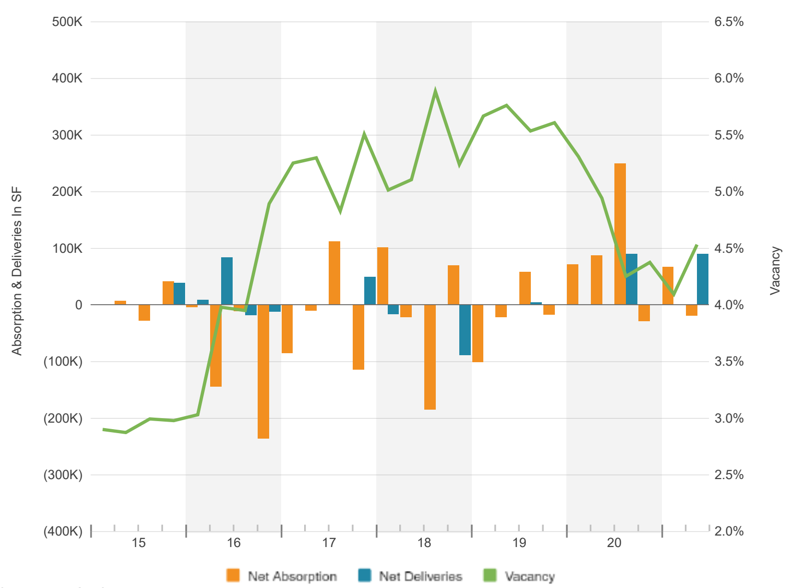
6.43%
CAP RATE

4.10%
VACANCY

$8.23
RENTAL RATE

Industrial Tenants looking to occupy space in the South Central Market will be hard-pressed to find space as we see vacancy dropping once again down to 4.1% in Q1 of 2021, only three-quarters previous, vacancy in the south-central market was at 5.2%. This market continues to be a popular destination for businesses that service homeowners, such as flooring, window, fitness equipment, spa, and hot tubs businesses, to name a few. With more and more people working from home due to COVID, people are investing money into their homes and keeping these types of businesses busy. A great example of this is 'World of Spas' who just expanded into a 26,785 sq foot freestanding building this past quarter in South Manchester. Another great example can be seen at our very own brokerage, NAI Advent does leasing for a 69,136 square feet complex consisting of 2,304 sq foot bays in South Manchester, and just recently, the entire complex has become 100% leased. Although the small bays are getting snatched up quickly, there are still some larger, awkward vacancies that have been sitting on the market for some time. There is a significant discrepancy in vacancy rates amongst different areas in the South Central Market. Ramsay, where vacancy is at 9.20%, shows an average rental rate of $8.37; however, if you look at the South Manchester area, rental rates are hovering around $10.24 thanks to the low vacancy rates of 3.20%.

South Central Net Absorption, Net Deliveries & Vacancy



Source: CoStar

Area	Net Absorption SF (Q4 2020)	Net Absorption SF (Q1 2021)	Avg. Net Asking Rate (Q4 2020)	Avg. Net Asking Rate (Q1 2021)	Avg. Net Market Rate (Q4 2020)	Avg Net Market Rate (Q1 2021)	Market Cap Rate (Q4 2020)	Market Cap Rate (Q1 2021)	Vacancy (Q4 2020)	Vacancy (Q1 2021)	Availability (Q4 2020)	Availability (Q1 2021)
East Fairview	10,897	-4,970	$11.72	$11.48	$10.24	$10.16	6.38%	6.44%	7.00%	7.30%	9.10%	8.60%
North Manchester	5,560	10,163	$7.78	$7.78	$9.47	$9.32	6.38%	6.43%	2.10%	1.70%	3.60%	2.50%
South Highfield	-1,002	-13,748	$6.97	$7.28	$9.53	$9.39	6.32%	6.40%	3.10%	3.60%	12.90%	12.50%
Highfield	-35,697	-19,821	$7.11	$7.08	$8.85	$8.75	6.36%	6.43%	5.60%	6.30%	9.90%	7.40%
Riverview	-6,601	4,283	$11.12	$10.83	$9.24	$9.22	6.41%	6.47%	6.00%	5.70%	6.50%	6.80%
Fairview	-14,849	19,805	$10.77	$10.50	$9.98	$9.86	6.32%	6.39%	6.10%	4.50%	8.40%	5.00%
Burbank	-12,775	31,712	$8.17	$8.62	$9.22	$9.14	6.39%	6.46%	7.60%	5.00%	19.00%	16.00%
South Manchester	21,158	9,688	$8.50	$8.67	$10.33	$10.24	6.26%	6.34%	3.50%	3.20%	4.20%	3.50%
Bonnybrook	4,039	-2,684	$10.36	$10.07	$9.85	$9.75	6.43%	6.50%	1.50%	1.60%	5.10%	5.10%
Alyth	N/A	N/A	$12.00	$12.00	$9.58	$9.41	6.35%	6.44%	0.00%	0.00%	1.00%	1.00%
Ramsay	N/A	32,442	$7.37	$6.41	$8.46	$8.37	6.51%	6.57%	11.30%	9.20%	11.50%	12.10%
Total	**-29,270**	**66,870**	**$8.20**	**$8.23**	**$9.62**	**$9.51**	**6.36%**	**6.43%**	**4.40%**	**4.10%**	**7.80%**	**6.90%**

South East Industrial Market

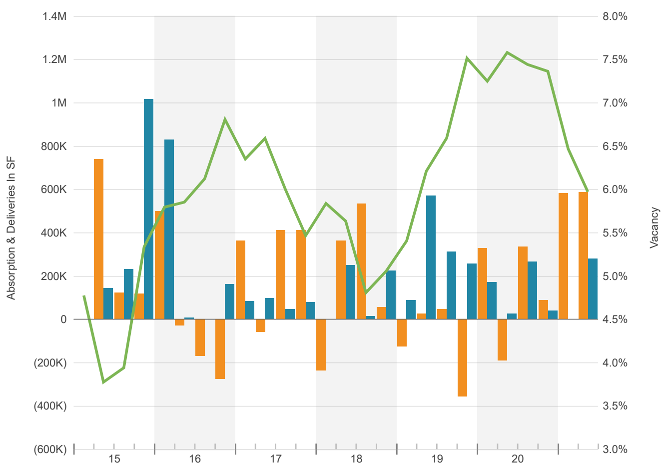
6.32% CAP RATE

6.50% VACANCY

$9.91 RENTAL RATE

The first quarter of 2021 saw a decrease in vacancy rates from 7.4% to 6.5% from the last quarter. This was also reflected in the net absorption by over 6X from Q4 2020. With minimal new deliveries compared to previous years, the majority of developments and new product has been just outside of the City. The appeal for Rockyview County remains with property taxes being roughly 50% lower than in Calgary, as well limited availability or turnover of spaces in Calgary which has naturally pushed new buyers and tenants outside of the City. The recent completion of industrial bays this quarter was the second building of Beedie's development on 52nd Street SE, called Apex at Eastlake, Building B. These condos are for sale and have attractive signage opportunities onto 52nd Street. Balzac, Alberta remains the front runner for new construction underway and over the next year or two, we'll see more and more businesses setting up shop 10 minutes north of Calgary, especially if the availability rate continues to dwindle in Calgary.

South East Net Absorption, Net Deliveries & Vacancy



Source: CoStar

As diversification of the economy remains strong, and we experience unpredictable COVID-19 restrictions, more and more starter spaces are required for start-ups and newer companies looking to lease industrial or quasi-retail space. As this demand has grown over Q1 2021, so have the asking rates. We have also seen multiple offer scenarios where tenants and buyers are competing for the same space. We are especially seeing this with automotive groups, and smaller scale or third-party B-to-B or even B-to-C distribution companies. E-commerce remains strong and demand for distribution space has followed suit. We anticipate this to increase into the fall and winter months, and we'll continue to see space that was purpose-built for a specific type of business may be retrofit or modified for a new user or company, pending city approvals.

Area	Net Absorption SF (Q4 2020)	Net Absorption SF (Q1 2021)	Avg. Net Asking Rate (Q4 2020)	Avg. Net Asking Rate (Q1 2021)	Avg. Net Market Rate (Q4 2020)	Avg Net Market Rate (Q1 2021)	Market Cap Rate (Q4 2020)	Market Cap Rate (Q1 2021)	Vacancy (Q4 2020)	Vacancy (Q1 2021)	Availability (Q4 2020)	Availability (Q1 2021)
Shepard	-23,667	44,058	$12.09	$12.27	$10.31	$10.18	6.22%	6.28%	5.50%	4.90%	7.80%	4.80%
Valleyfield	-7,179	6,893	$9.14	$8.48	$8.71	$8.57	6.32%	6.37%	5.10%	4.70%	5.30%	6.10%
Starfield	6,639	79,288	$6.50	$6.50	$8.12	$8.03	6.23%	6.30%	5.40%	2.80%	14.20%	11.60%
Southbend	-8,143	17,562	$12.03	$13.30	$10.39	$10.25	6.19%	6.26%	3.20%	2.20%	4.50%	6.60%
Section 23	-53293	7,304	$13.35	$14.27	$8.72	$8.64	6.11%	6.17%	2.40%	2.10%	4.60%	4.30%
Point Trotter	67,254	24,153	$12.80	$12.72	$9.34	$9.23	6.17%	6.23%	3.00%	2.00%	4.80%	4.30%
Great Plains	114,454	3,142	$10.59	$9.99	$8.73	$8.66	6.21%	6.26%	13.60%	13.60%	14.90%	9.30%
Golden Triangle	1,430	-12,122	$10.40	$11.17	$11.36	$11.07	6.14%	6.24%	6.90%	8.60%	8.40%	11.00%
Frontier	N/A	-1,000	$14.71	$14.71	$11.15	$10.99	6.09%	6.16%	0.50%	0.60%	2.90%	2.50%
Forest Lawn	-12,345	88,596	$10.06	$10.75	$9.00	$8.92	6.26%	6.32%	8.80%	3.10%	9.60%	8.50%
Foothills	6,666	144,400	$8.74	$8.43	$8.78	$8.69	6.34%	6.39%	7.40%	6.70%	8.70%	7.10%
Eastfield	-8,928	31,335	$10.68	$10.58	$9.97	$9.85	6.26%	6.31%	10.20%	8.90%	10.70%	10.30%
East Shepard	13,961	31,457	$11.13	$11.41	$8.76	$8.66	6.19%	6.25%	3.10%	2.70%	5.00%	3.60%
Duffern SE	N/A	N/A	$8.73	$8.39	$8.30	$8.20	6.25%	6.33%	4.40%	4.40%	6.70%	2.80%
84th Street Corridor	-9,161	81,594	$13.86	$13.56	$11.03	$10.86	6.27%	6.35%	5.20%	3.60%	8.00%	6.70%
Total	**87,688**	**546,660**	**$10.04**	**$9.91**	**$9.25**	**$9.15**	**6.26%**	**6.32%**	**7.40%**	**6.50%**	**9.20%**	**7.10%**

North East Industrial Market

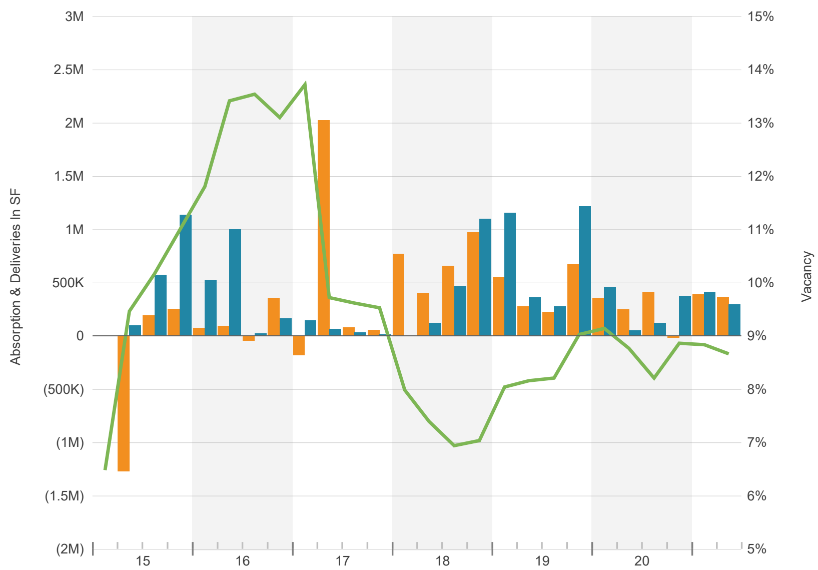
6.33% CAP RATE

8.80% VACANCY

$9.52 RENTAL RATE

After a rocky finish to the 2020 year, the NE Industrial Market has rebounded with a very strong start to 2021. Due in large part to the huge distribution centers in the Balzac area, the net absorption skyrocketed to over 400,000 sf in Q1 2021. With the effects of Covid-19 accelerating the move to e-commerce shopping we are seeing many companies focusing on distribution centers to fulfill the increased demand. This is mostly seen with large corporations taking 100,000+ sq feet, but we are also noticing many smaller companies focusing on e-commerce in sub 5,000 sq foot spaces. At the height of the pandemics lockdown we saw many companies downsizing which greatly affected the NE small bay market. To this day, sub 2,500 sq foot bays are much harder to come by. With that being said the medium to large bay market has begun to pick up again with companies gaining more confidence in the market due to the energy sectors economic outlook and wider reach of the Covid-19 vaccine.

North East Net Absorption, Net Deliveries & Vacancy



Source: CoStar

Area	Net Absorption SF (Q4 2020)	Net Absorption SF (Q1 2021)	Avg. Net Asking Rate (Q4 2020)	Avg. Net Asking Rate (Q1 2021)	Avg. Net Market Rate (Q4 2020)	Avg Net Market Rate (Q1 2021)	Market Cap Rate (Q4 2020)	Market Cap Rate (Q1 2021)	Vacancy (Q4 2020)	Vacancy (Q1 2021)	Availability (Q4 2020)	Availability (Q1 2021)
Outlying NE/Balzac	158,801	352,740	$7.74	$7.61	$9.38	$9.28	6.60%	6.73%	9.90%	10.00%	7.40%	8.10%
Airport Hangers	14,583	-21,984	$13.88	$13.85	$9.45	$9.32	6.73%	6.86%	5.50%	6.80%	9.60%	9.00%
Stoney 3	48,528	5,441	$21.32	$22.53	$9.60	$9.48	6.42%	6.54%	18.10%	18.00%	19.50%	12.40%
Stoney 2	43,928	12,187	$10.89	$10.63	$9.42	$9.31	6.56%	6.70%	15.20%	15.00%	13.00%	21.20%
Stoney 1	-57,482	19,238	N/A	N/A	$8.88	$8.79	6.56%	6.70%	4.30%	3.60%	4.30%	3.60%
Westwinds	-147,009	11,979	$7.50	$10.09	$11.32	$11.23	6.70%	6.84%	9.60%	9.00%	9.60%	1.60%
Pegasus	N/A	7,317	$13.72	$13.69	$10.72	$10.55	6.50%	6.66%	8.40%	6.90%	13.60%	8.30%
Deerfoot Business	23,973	-51,417	$10.06	$8.23	$8.97	$8.88	6.77%	6.91%	1.80%	3.30%	1.80%	3.70%
Skyline East	-5,032	-115,844	$8.28	$8.53	$9.31	$9.18	6.12%	6.19%	7.80%	16.60%	12.40%	21.40%
Skyline West	-11,289	N/A	$10.97	$8.75	$10.06	$9.83	6.31%	6.41%	1.30%	1.30%	3.40%	3.50%
Greenview Industrial	-11,280	15,783	$8.91	$8.87	$10.36	$10.23	6.22%	6.31%	2.00%	1.50%	5.60%	5.10%
McCall	-105,618	39,608	$10.24	$10.19	$9.53	$9.37	6.11%	6.18%	7.70%	6.40%	9.90%	7.60%
North Airways	6,221	12,044	$8.71	$8.70	$9.92	$9.75	6.20%	6.28%	6.30%	5.80%	7.90%	7.90%
Horizon	41,593	-42,965	$9.08	$8.39	$8.90	$8.82	6.24%	6.30%	4.50%	5.60%	5.70%	5.90%
South Airways	-6,833	14,954	$10.42	$10.52	$9.83	$9.74	6.32%	6.39%	8.40%	8.00%	10.60%	12.90%
Franklin	4,968	98,966	$8.74	$8.57	$8.76	$8.70	6.44%	6.50%	12.40%	8.70%	13.00%	8.80%
Sunridge	N/A	-13,810	$16.00	$12.32	$9.59	$9.56	6.25%	6.30%	3.90%	4.80%	8.60%	7.60%
Meridian	-22,117	61,994	$12.30	$12.01	$10.02	$9.89	6.18%	6.25%	7.90%	5.40%	9.30%	7.10%
Mayland	13,295	2,160	$5.61	$5.61	$8.98	$8.97	6.42%	6.49%	10.70%	10.60%	14.10%	14.10%
Total	**-10,770**	**408,391**	**$9.39**	**$9.54**	**$9.41**	**$9.32**	**6.26%**	**6.33%**	**8.90%**	**8.80%**	**9.20%**	**9.50%**

Retail Market

5.83% CAP RATE

3.74% VACANCY

$24.50 RENTAL RATE

For retailers, 2021 began with many of the same uncertainties and challenges the previous year of lockdowns brought. Large-format retailers & restaurateurs that were planning on expanding were able to take advantage of the opportunities that were available within the market. Transactions were most active for spaces between 1,000-3,000 sq feet. Quick-serve food, small restaurants, and personal services were some of the most active uses in that range.

Overall, Retail has seen a positive sentiment with more new business taking on spaces in the market. Pizza stores were some of the most sought-after uses. However, with such high demand and resulting low inventory, many of these retailers found it challenging just getting into space. It's also worth noting that a lot of the newer projects that hit the market have a pizza use already.

In conclusion retailers and new businesses are taking advantage of the market and we will continue to see positive absorption in the upcoming months with rates slowly coming back to pre-pandemic levels.

Retail Net Absorption, Net Deliveries & Vacancy

Source: CoStar

Area	Net Absorption SF (Q4 2020)	Net Absorption SF (Q1 2021)	Avg. Net Asking Rate (Q4 2020)	Avg. Net Asking Rate (Q1 2021)	Avg. Net Market Rate (Q4 2020)	Avg Net Market Rate (Q1 2021)	Market Cap Rate (Q4 2020)	Market Cap Rate (Q1 2021)	Vacancy (Q4 2020)	Vacancy (Q1 2021)	Availability (Q4 2020)	Availability (Q1 2021)
North West	28,000	12,155	$27.96	$29.50	$30.37	$30.23	5.66%	5.76%	3.68%	3.64%	3.64%	3.82%
North East	-4,672	66,699	$22.51	$21.41	$24.03	$23.92	5.79%	5.90%	3.80%	3.50%	5.50%	4.80%
South Central	-26,186	132,628	$23.97	$24.31	$25.16	$25.06	5.70%	5.80%	3.80%	3.20%	5.50%	4.20%
South	-181	-6,763	$25.87	$26.76	$26.81	$26.69	5.69%	5.84%	3.49%	3.53%	4.23%	4.76%
Downtown/ Beltline	143,109	34,291	$17.61	$20.21	$25.91	$25.80	5.79%	5.87%	7.00%	6.30%	8.50%	8.70%
Total	**140,070**	**239,010**	**$24.07**	**$24.50**	**$26.42**	**$26.31**	**5.72%**	**5.83%**	**3.98%**	**3.74%**	**5.06%**	**4.83%**

Downtown Office Market

9.69% CAP RATE

32.30% VACANCY

$11.46 RENTAL RATE

Prognosticators of the Downtown and Suburban Office markets have called the bottom of the office market several times over the last five years. This author called it most recently in January of 2020 when green shoots were appearing as new life was injected into the Oil & Gas E&P companies, only to have the rug pulled out in March with the sudden devastating arrival of Covid 19. With 2020 behind us and vaccines being rolled out en masse, Calgary can hope for a more prosperous future. Some business analysts predict a roaring 20's style recovery which seems more and more likely with WTI prices firmly in the mid $60's range going into the summer driving season with hopes of higher prices to come. Make no mistake, the outrageous overall Downtown vacancy rate of 31.7% shatters all records no matter what metrics you use to analyze it, yet even if we aren't at the ultimate bottom, we are definitely within sight. Even though both Suncor and Cenovus, for example, have recently confirmed an additional roughly 1000 staff each to be laid off over the next few quarters, it is reasonable to believe the downtown exodus is subsiding. As with previous downturns, the remaining Energy and Energy Service companies have entered a phase of opportunistic M & A activity resulting in continued negative absorption of -356,077 sq. foot YTD. As with previous downturns in the oil patch, the remaining companies will soon begin to grow again from a more solid base. Even if there are more layoffs due to future M & A activity, which is likely, it is however unlikely that a company as large as Husky will find itself on the block.

Obviously, from a Tenant's perspective, the Calgary Downtown Core Office market has massive potential for new companies or Suburban Tenants that want to relocate into the Downtown core. Even though head lease asking rates for "A" class office space ranges from $11/SF to $13/SF, the inducements provided by some Landlords creates a very tempting draw to set up shop Downtown. With roughly 14 million square feet of space vacant in the core, Calgary's Downtown will remain a Tenant's market for years to come, even in the most optimistic scenarios. A soft market with visibility going several years out may provide the impetus for other industries, namely tech, to relocate into a vibrant young city.

Notable Downtown Office Lease Transactions

TENANT	SF OCCUPIED	LOCATION	LEASE TYPE
Olympia Financial Group	50,607	Centennial Place East	Sublease
Baytex Energy Ltd.	87,540	Centennial Place East	Renewal
Regus	26,253	Telus Sky	Sublease
Whitecap Resources	24,283	Eighth Avenue Place East	Sublease
Clearstream Energy	13,981	Bow Valley Square II	Headlease

Suburban Office Market

8.97% CAP RATE

24.10% VACANCY

$15.39 RENTAL RATE

In contrast to the increasing softness of the Downtown core, Calgary's Suburban market remains relatively stable in comparison. That being said, with an overall vacancy rate clocking in at 23.7%, the Suburban market is also heavily tilted towards the Tenant and will remain so for the foreseeable future. The more generalist appeal of the Suburban market and more ample parking has allowed Suburban landlord's to seek higher overall asking rates of $15.39 supported by a positive absorption rate of 202, 908 sq. foot YTD. The higher asking rates in the suburbs, in relation to Downtown, are part of a normal cycle in Calgary following the rise of higher vacancy in the core. As the Downtown core eventually fills up again (it always does, no matter how unlikely that seems now), the rates will equate and then revert back to the norm. A notable observation would be the lack of 2000 sq. foot – 3000 sq. foot offices within the southern quadrant of the city, south of the Beltline. Calgary Entrepreneurs, forced into private business over the last few years following the oil price collapse in 2015, have continued to add demand for this size range which paused only temporarily after the initial shock of Covid.

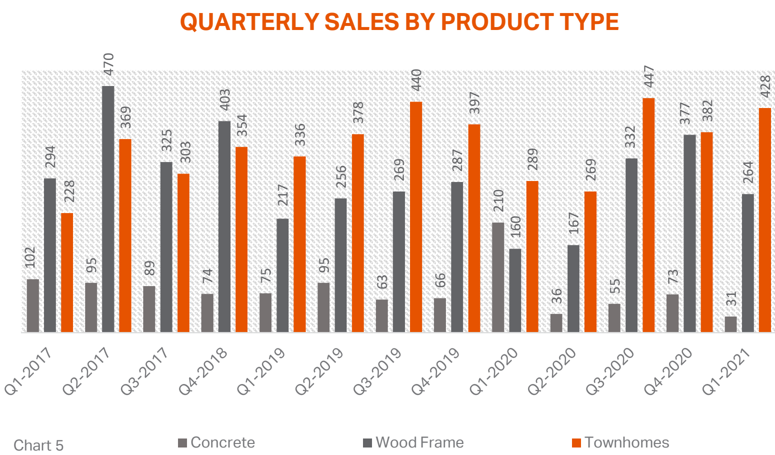
As Covid seems to wind down and thoughts move toward reopening our economy, many people and corporations are asking, "how permanent is the work from home phenomenon?" The question is highly relevant due to the massive impact on vacancy rates that working from home may have going forward for both the Downtown and the Suburban office market. There are two overall scenarios ranging from permanent relocation of significant portions of the workforce to an at-home setting to returning to work as if nothing happened. From what this author has read, it seems no one knows what will happen even though some large companies, specifically tech companies out of the US are willing to experiment with the concept, which would hopefully allow them to reduce their footprint and overhead costs. We believe that it is natural to explore these cost-saving ideas. However, We suspect that the forces that created the formal office setting will ultimately drive folks back to a more traditional, although most likely modified, office setting. Even if one ignores key business concepts like corporate culture, effective team structures, training and mentorship of junior staff, and much more, it is very easy to believe that most people actually enjoy going to the office. Just because working from home worked as a short-term fix during a time of crisis, there is no evidence that it is a better overall work environment. This is a question that we will revisit in future Quarterly's as we follow the progress of the many corporations that are willing to pursue this experiment. We will keep our readers up to date as it progresses.

Notable Suburban Office Lease Transactions

TENANT	SF OCCUPIED	LOCATION	LEASE TYPE
Centre For Newcomers	50,477	Northgate Village	Headlease
FYI Doctors	19,038	Mission Square	Headlease
Optional Support	18,000	Riverbend Atrium	Headlease
Cornerstone Engineering	14,023	Deerfoot Court	Headlease
Regus	12,124	Macleod Place II	Headlease

Multi-Family Market

With Q1 behind us, we now have a bit of foresight into this upcoming year and the signs are positive based mainly on the employment recovery as well as immigration. Alberta added 8,176 residents in the fourth quarter of 2020 and as of January 1, 2021, Alberta's population was 4,436,258.



Source: Urban Analytics

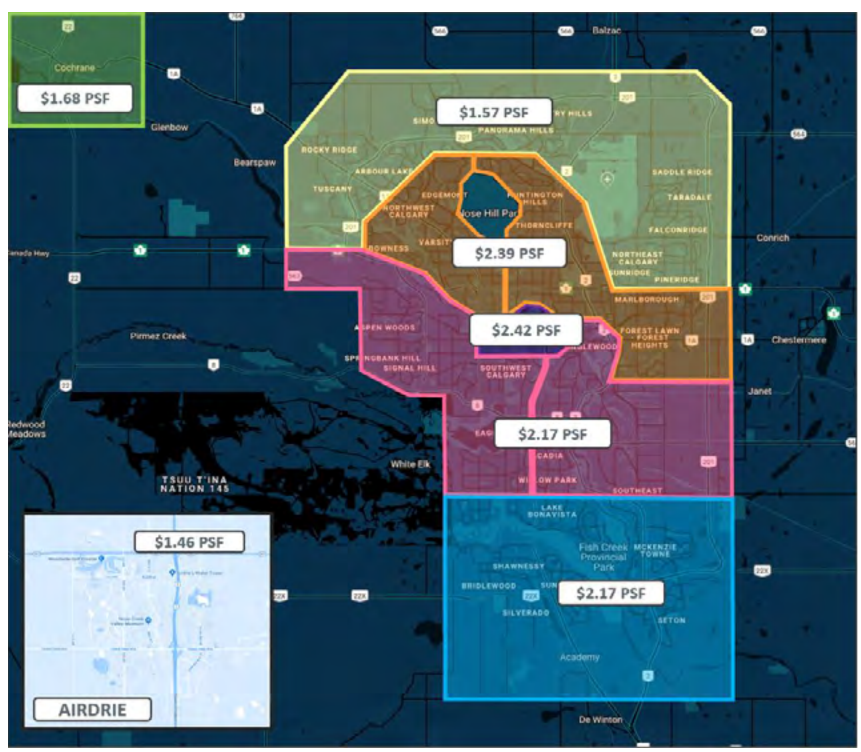
Alberta's year-over-year population growth was the highest among the provinces, at 0.78%. Although this was above the national average (0.39%), it was down significantly from this time last year (1.65%).

There were 25,400 job losses in Calgary in the first half of 2020, but by the end of the year, 90% of the jobs lost had been recuperated. The City of Calgary population growth forecast in 2021 of 1.3% and similar in 2022. With net migration expected to be 8.6% in 2021 and 9% in 2022.

The purpose-built rental apartment market is still moving along with construction predominately in the Beltline, Downtown, NW, and SW. Rental rates and occupancy have both increased into 2021 with occupancy rates at 88% by the end of the first quarter, which is a 4% increase from Q4 2020. Four new purpose-built rental buildings have come onto the market adding 150 units to the previous 11,000 and 88 buildings. Eighteen of these projects are actively leasing (under 85 percent leased and within the first year of their leasing campaign), this is comprised of 34 newer concrete apartment buildings, 48 newer wood-frame apartment buildings, and six newer rental townhome projects.

Average per sq foot rents for newer purpose-built rental units increased by six percent from the previous quarter ($0.11 per square foot) to $2.03 per sq foot. Average rental rates in Calgary were $2.14 per sq foot which is four percent ($0.09 per sq foot) higher than last quarter.

To go along with the very strong single-family resale market a lot of first-time homebuyers have started buying multi-family homes as well. 723 new multi-family home sales in 2021 which is a ten percent year-over-year increase and the third consecutive quarter with more than 700 new condominium and townhome sales recorded in Calgary. Townhomes accounted for over 65 percent of all new multi-family home sales.



Source: Urban Analytics

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:

- Financial Management
  - Full accounts receivable and account payable accounting
  - 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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