

Calgary, Alberta

Tenant's Guide ■ North American Markets ■ Fourth Quarter 2009

Overview

After a quiet first three quarters in the headlease and sublease markets, moderate activity in Q4 is stirring up some optimism going into 2010. Even with a bump in activity during the fourth quarter, the vacancy rate remained largely unchanged from Q3 due to additional supply coming to market. The combined downtown vacancy rate for all classes of buildings is at 9.69% compared to 9.53% in Q3. Class AA is at 7.70% and class A is at 8.11%. The class B and C vacancy rates fell to 13.53% and 15.13% respectively. The Beltline sits at 12.29%.

Roughly two thirds of vacancy in the market is sublease space, and as such sublandlords sharpened their pencils on asking rates in an attempt to stimulate demand. Demand increased in the fourth quarter after three consecutive quarters of negative or flat absorption. With substantially less than average demand for the year, sublandlords looking to dispose of surplus premises continue to try to motivate tenants through price. This is creating downward pressure on rates throughout the market and providing active tenants leverage in negotiations.

Market Trends

- Class AA, class B, and class C each had positive absorption of 511,090 SF, 198,853 SF, and 40,427 SF respectively. Class A had negative absorption of 29,504 SF.

Tenant's Perspective

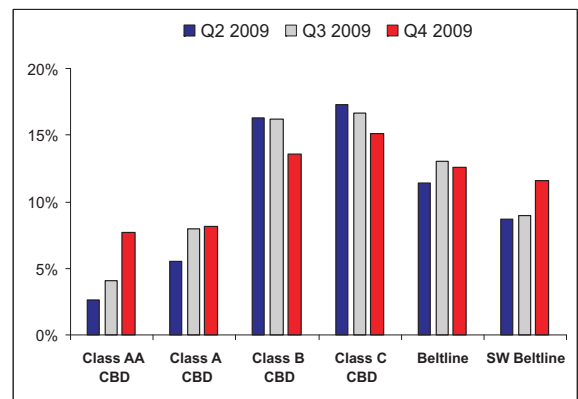
2010 has been much anticipated as the watershed year for vacancy in the Calgary marketplace with three significant new developments set to arrive. The developments will be delivered mid-year and therefore Q1 and Q2 should mirror the current market. Moving into Q3 and Q4 of 2010 we should see the equilibrium market shift to a tenant's market with vacancy rates in the mid-teens.

With the delivery of the new developments in mid 2010 (Jamieson Place, Centennial Place, and Penn West Plaza West) it is shaping up to be an interesting game of musical chairs. Tenants relocating to new product will leave behind office space that should start to fracture and provide opportunity for smaller tenancies in the latter part of the year. It is recommended that any tenants that can keep their powder dry for the next six to eight months should do so in order to get themselves a better chair when the music stops.

Major Transactions

Tenant/Buyer	Size	Type	Lease/Sale
BP Canada Energy Co.	278,000	Office	Headlease
Daylight Resources Trust Ltd	136,000	Office	Sublease
AMEC plc	105,000	Office	Sublease
MEG Energy Corp.	87,000	Office	Headlease
Murphy Oil Company Ltd.	51,000	Office	Headlease
OMERS Energy Inc.	43,000	Office	Headlease
Arc Financial Corp.	27,000	Office	Headlease
Sequence Energy Ltd.	12,000	Office	Sublease
Microsoft Corporation	9,000	Office	Headlease

Vacancy Rate



Average Rental Rates

CBD	Q2 2009	Q3 2009	Q4 2009
Class AA Office	\$55.37	\$54.75	\$52.00
Class A Office	\$47.91	\$44.03	\$42.36
Class B Office	\$39.65	\$37.55	\$33.55
Class C	\$37.50	\$35.56	\$27.81

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