In the past six months the amount of office space in Calgary that is under construction has doubled. There are currently 25 office buildings under construction containing 7.9 million square feet of office space. Despite the fact that 56.3 per cent of that new supply has been pre-leased, there is significant pressure on the existing office inventory due to disclosed and undisclosed backfill pressure. Our current best estimate is that there are eight large blocks containing 1.5 million square feet of space that have not yet been disclosed, but will become available as the new buildings are completed.

New Supply Spikes Put Pressure on Existing Office Buildings

Expressed as a percentage of total existing office inventory, Calgary has the highest level of office space under construction, as illustrated in Figure 1.

### Figure 1

<table>
<thead>
<tr>
<th>% of Total Existing Office Inventory</th>
<th>Vancouver</th>
<th>Edmonton</th>
<th>Calgary</th>
<th>Toronto</th>
<th>Ottawa</th>
<th>Montreal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Under Construction</td>
<td>7.9%</td>
<td>1.1%</td>
<td>11.9%</td>
<td>4.6%</td>
<td>5.7%</td>
<td>2.9%</td>
</tr>
</tbody>
</table>

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If there had been a new supply drought in Calgary, the current spike in construction activity could be viewed as a catch-up in response to pent-up demand...

The office space currently under construction has staggered completion dates going out to 2017 (see Figure 2) which will provide the marketplace more time to grow into and absorb the vacant space being left behind as the new buildings are completed and tenants move in.

If there had been a new supply drought in Calgary, the current spike in construction activity could be viewed as a catch-up in response to pent-up demand, but there has been very significant growth in Calgary’s office inventory since 2000 as illustrated in Figure 3.

The best building managers and their leasing teams achieve superior results relative to their peers throughout the business cycle. As the marketplace experiences some or all of the following - soft demand, increased vacancy, declining leasing velocity, increased supply of new and backfill space from landlords and sub-landlords and reduced rent expectations - not all office buildings and portfolios will experience the same success or pain.

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Very rare is the firm or team that has the people and money to do everything they can think of, let alone at a very high level of performance.

So the key has been, and will continue to be, focus.

Very rare is the firm or team that has the people and money to do everything they can think of, let alone at a very high level of performance. So the key has been, and will continue to be, focus. Focusing your communication initiatives, service refinements and capital budgets on the two or three key items and programs where they will have optimum impact on your tenants’ intention to stay and ideally pay a premium to do so, is essential to success.

SANDY MCNAIR IS THE PRESIDENT OF ALTUS INSITE, A DIVISION OF ALTUS GROUP. SINCE 1997 ALTUS INSITE HAS CONDUCTED MORE THAN 1.7 MILLION TENANT SATISFACTION SURVEYS FOR MANY OF CANADA’S LEADING OFFICE BUILDING OWNERS AND MANAGERS. SANDY.MCNAIR@ALTUSINSITE.COM WWW.ALTUSINSITE.COM
Notes from all Over

By William G.R. Partridge, CAE
President & Chief Staff Officer

As part of my work here at BOMA I have the good fortune to travel a little. I get to briefly see other cities, and as likely is the case for other travelers, my reference point for comparison is my home city, Calgary.

Calgary is a fantastic place and at this stage in my life, I just can’t conceive of living anywhere else. That gets me thinking about some of the complaints I hear about from time to time.

In January of this year I travelled to Beijing to give a presentation to the Chinese real estate community on better health and safety practices in buildings. There were 600 people in the room. The same topic here at a national commercial real estate conference in October in Halifax drew a mere 20 people. What does that indicate?

To be blunt, the Chinese have a hugely serious air quality problem and they need to clean up their act. In Canada, we don’t have the same problems; our population is much less and climatic conditions help disperse the emissions that typically come from cities. After my Beijing visit of less than one week, I was so impacted by the air quality I was coughing for a month!

Commercial real estate in Canada, through its standard practices, is way out in front of the curve because of an industry developed environmental certification program, BOMA BEST. BEST is an acronym for Building Environmental Standard. The performance of commercial buildings in Alberta in many areas is well above the national average. This is to the credit of our industry members who subject their buildings to the BOMA BEST program.

Speaking of BOMA BEST, both the federal and the provincial governments are participants in the BOMA BEST program. Conspicuously absent is the City of Calgary which operates many buildings, fire and police stations, office buildings and recreation centres. How well do they perform? Are they up to the industry standard? Ask your councillor to explain.

Again with BOMA BEST, BOMA, in partnership with the Alberta government, launched a building certification that leads the industry in Canada, and quite possibly the world, as we can’t find anything that is even close. The certificate is awarded to a building which is COR (Certificate of Recognition in health and safety) and which attains a BOMA BEST Level 4 certificate. If you see this certificate in your building you know your property management team are leaders in terms of environmental performance.
We must also recognize that business is important in a community; people need jobs and places to work to earn the income which translates into the lifestyle of this great city.

Calgary just held a municipal election. We have a council that will serve for the next four years. I have to confess to a huge amount of disappointment. Not because of the outcome, but more over the lameness of the campaign. No candidates came to my door. No candidates presented me with a flyer outlining their platform or the principles for which they stand. We learned of candidate forums only after they had happened. So how can the councillor claim to represent my views? It’s a serious question. I like to think of an election campaign akin to a job interview. Trouble was, no one showed up for their interview.

The politicos, and to a large extent the media, trumped up the “war” between the city and the development community. To what end? But let’s be real here: businesses don’t vote like residential ratepayers. So who on council will speak for them? I don’t buy the argument that developers “buy” politicians. The voting record of council clearly says otherwise. Let’s be honest about this: developers have a business motivation and respond to what the market wants. So is council fighting the industry or the consumer? Think about it. When businesses are concentrated, generally speaking, in only a few wards in the city, it is quite possible that a ward councillor will not be sympathetic to the needs of business. We must also recognize that business is important in a community; people need jobs and places to work to earn the income which translates into the lifestyle of this great city.

I noted earlier that I had been in Halifax for a national commercial real estate conference. What a lovely place. It’s been around since 1749. There are about 400,000 people in the regional municipality. Like Calgary they have similar problems, albeit perhaps not as acute as Calgary. The layout of the city predates cars so the roads are narrow, but it’s a great walking city, at least in the old part. Not so much when you leave the waterfront area. Parking is an issue - remember it was laid out before cars. That makes it a challenge to access the downtown. This translates into an abundance of retail vacancies. Point being that there is a relationship between parking, access and business survivability. Sound like Calgary?

I was in Washington, D.C. towards the end of October. I was so impacted by the emissions that typically come from cities. After my Beijing visit of less than one week, I was so impacted by the emissions that typically come from cities. Canada, we don’t have the same problems; our population is much less and climatic conditions help disperse the air quality I was coughing for a month!

To be blunt, the Chinese have a hugely serious air problem. It’s not as bad as Calgary. The layout of the city predates cars. That makes it a challenge to conveniently access the business district than that district is threatened. Did anyone say Detroit?

I also noted in Washington that there were separated bicycle lanes on virtually every road in the district. The other part of my observation was - no bikes in them! The cyclists I saw - and there were many - were using the roadway. I did note as well, that there were a lot of scooters - Vespa and similar types. But there was not available parking for them; most were chained to parking meters taking up a small portion of the very generous sidewalks. This did not interfere with the movement of pedestrians.

It is interesting to me as an urbanist to observe what’s in place in other cities. In some way these experiences are inspiration to think of ways to make Calgary an even better city. But then reality sets in and I realize that some things just don’t make good sense in Calgary and we shouldn’t do them here. But that doesn’t mean Calgary is any less of a great city.
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BOMA Insider Golf Classic Co-Title Sponsor
Lisa Cheong-Stevens and Janne Kneller of Bentall Kennedy (Canada) LP accept the BOMA BESt Level 1 certificate for Telus House.

The FCR Management Services team accepts the BOMA BESt Level 1 certificates for London Place West and Cranston Market.

Chris Howard, Chair, presents the BOMA BESt Level 3 certificate for Bow Valley Square to David Simpson and Jared Hagen, Oxford Properties Group. Chris Howard, Chair, with Mayor Naheed Nenshi at the BOMA September Luncheon.

Keri Cormier, Bentall Kennedy (Canada) LP receives the Provincial EHS Certificate for Jamieson Place, Calgary.

Rob Overbeck, Bentall Kennedy Retail receives the Provincial EHS Certificate for Bower Place, Red Deer.

Bill Boris, Edon Properties Inc. (Edon Management) receives the Provincial EHS Certificate for Red Deer Provincial Building and Rocky Mountain House Provincial Building.

Laura Newcombe, GWL Realty Advisors Inc. receives the Provincial EHS Certificate for Gulf Canada Square, Calgary, from Minister Hancock (L) with Lloyd Suchet (R), BOMA Calgary.

The Dundee Realty Management Corp. team accepts the BOMA BESt Level 2 certificate for 510 Fifth Street SW, and Level 1 for Rocky Mountain Plaza, Braithwaite Boyle Centre and 3115 12 Street NE.

Calgary Courts Centre achieves BOMA BESt Level 3, accepted by Alberta Infrastructure and SNC Lavalin O&M.

Congratulations to Bentall Kennedy (Canada) LP for their BOMA Canada TOBY Award (100,000 – 249,000 SQ FT category) for Calgary Board of Education Tower! Nadine Murphy, Bentall Kennedy (Canada) LP accepts the TOBY Award at BOMEX in Halifax, N.S.

The BOMA staff team at the Fall Mixer (L-R): Lloyd Suchet, Lia Robinson, Ashley Gallagher, Aydan Askhan, Liz Krill, Bill Partridge.
It doesn’t seem that long ago that we were worrying about who would fill the holes vacated by Encana when it moved into The Bow tower, but the empty spaces it left in a number of downtown office buildings were quickly gobbled up. And it says a lot for this city’s position as a driver of the Canadian economy that despite that legitimate concern, we continue to build and build.

Downtown office, suburban office, light industrial and warehousing, retail and several hotels - at last.

There is obviously a real need for more hotels in the core. We are branded with the highest parking rates and we must be close to the top in hotel room pricing.

I like the recently opened Elan boutique hotel near 11th Street on 16th Avenue S.W. which is a quick Car2Go to downtown. New Urban is renovating an older tower into the 124-room Park Seville on 12th Avenue S.W. across from Central Memorial Park and will build a 200-room Marriott Residence Club Sport Hotel and Fitness Centre on the corner of Macleod Trail at 12th Avenue S.E.

And SilverBirch Resorts and Hotels has announced it will add another 360 rooms to the inner-city inventory with its Residence Inns by Marriott, plus conference centre, on the site of the former Alberta Boot plant at 10th Avenue and 5th Street S.W.

We certainly need more rooms in the northwest where despite having a large residential population that boasts the university and two hospitals that must cater to a lot of visitors, we now only have Hotel Alma on the university grounds and a few properties in Motel Village.

Two Marriotts are under construction to serve the Seton district around the new South Health Campus, but there will be real competition for business when planned new hotels open in and around the airport.

A 300-room hotel is being built adjacent to the new international terminal and another is slated for the northwest area of the airport. It’s hard to keep up with the rest, but a Best Western Hotel and Radisson Hotel and Conference Centre have opened, a Hilton and a Hampton Inn are on the books, a new hotel will be built on the Melcor development on the west side of Deerfoot Trail just to the south of Country Hills Blvd., and commitments have been made for six hotels on the Enright Capital development at the corner of Deerfoot Trail and Airport Trail. These surround three buildings providing 360,000 square feet of prime suburban office space.

Ever-worsening commutes into the downtown core must have an effect on decisions to relocate to areas where traffic congestion doesn’t give a bad start to...
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I like the recently opened Elan boutique hotel near 11th Street on 16th Avenue S.W. which is a quick Car2Go to downtown.
I like the look of Centron’s Centre 10 office tower that is still under construction while 90 per cent leased. It will soon face across to Place 10, two towers adding another 616,500 square feet of prime office, located in the Beltline.

an employee’s day – we have already noted the planned exit of Imperial Oil to the attractive Quarry Park campus.

Traffic and parking must be on the agenda for the new council and I don’t see cycling into work from Tuscany as an answer, no matter how much money is spent trying to induce cycling to the office.

Yet office construction in the core continues to carry on at a feverish pace.

I worry a little at the future of The Bow when Cenovus moves employees into the Brookfield tower across from the Bay, but the second tower of Eighth Avenue Place is leased, and in Eau Claire both Oxford’s new towers and Cadillac Fairview’s new tower — where we hope to see a neighbouring highrise hotel — are attracting prime corporate tenants.

Then I like the look of Centron’s Centre 10 office tower that is still under construction while 90 per cent leased. It will soon face across to Place 10, two towers adding another 616,500 square feet of prime office, located in the beltline yet just a short block from Eighth Avenue Place and The CORE shopping.

Centron always builds on spec; around one million square feet on 10th Avenue is indicative of its confidence in this city.