



# Calgary office market report

Q3 2022

**AVISON  
YOUNG**

# What's the scoop?

## Market buoyancy and positive trends

A re-invigorated leasing market coupled with continued strength in the energy sector has brought Calgary's office sector back on the positive side of market trends in Q3.

With positive absorption of approximately three hundred thousand square feet, the city-wide office market has now experienced four consecutive quarters of positive absorption activity.

Vacancy rates have begun to flatten and trend downwards as more employees returned to the office at the beginning of the Fall season.

According to Avison Young's Vitality Index, office foot traffic counts remain below pre-pandemic levels. Calgary's office recovery levels, however, continue to out-pace its Canadian peers.

## Alberta in favor

The "Alberta Advantage" has once again become the theme in national media and discourse. With the cost of living becoming ever more burdensome, many have looked to relocate from larger markets for the relative affordability and lifestyle the province offers.

Calgary continues to be one of the main benefactors of these economic and social strains and can act as a pressure release valve for the over-heated markets in the country. Inter-provincial and international net migration have risen sharply in the latter half of 2022, and many companies are taking notice.

Meanwhile, a favorable commodity environment is helping energy companies feel more secure in their office planning decisions, while government support and funding has allowed non-traditional industries the ability to find a foothold in the market.

## Our point of view.

While it's evident that the province is currently experiencing a moment in the spotlight, it's within the long-term demographic trends and fundamentals where Calgary's advantage is truly found. Regardless, positive press highlighting this advantage should be celebrated and shared, as all sectors of Calgary's CRE market, including office, stand to benefit.



# Office market trends

## 01

### Significant movement anticipated in the O&G sector

With several significant renewal dates on the horizon, the office sector will feel the impact of big decisions coming from within the energy sector. Whether it's in the form of renewals, relocations, modernizations, or the potential of large blocks of vacancy coming to market, the impacts of these decisions will shape the direction of Calgary's downtown over the next several years. On the one side, high energy prices are providing more certainty with regards to hiring, office space, and longer-term planning. On the other, strategic decisions have leaned more towards organizational efficiencies and sharing profits, over capital investment and expansion.

## 02

### Downtown AA class space scarcity is real

The pattern of "flight to quality" along with favorable market conditions are resulting in further scarcity in turn-key AA class space. Any large tenant relocating to the city or upgrading their space will find that the availability of large block vacancies with these criteria are severely limited.

This scarcity will put further pressure on rental rates, and alongside the persistent demand, demonstrate to landlords the advantage of modernizing and upgrading their office space. A survey of all the Class AA buildings in the city rental rates has seen rental rates jump 21% in the past year.

## 03

### Additional residential conversions

Calgary has received international press for its early buy in to the downtown conversion program. The city having a leg up on many of its peers due to unique conditions here. With that said, it is likely that more buildings will opt into the program. Optimistic estimates could see up to 2 million square feet of conversion of older, under-utilized office stock.



# Market Fundamentals

**23.9%**

Overall Vacancy Rate  
Down 2.2% since Q3 2021

**27.5%**

Overall Downtown Vacancy Rate  
Down 2.4% since Q3 2021

**15.0%**

Overall Class AA Vacancy Rate  
Down 2.8% since Q3 2021

**314,442**

square feet positive overall absorption  
Q3 2022

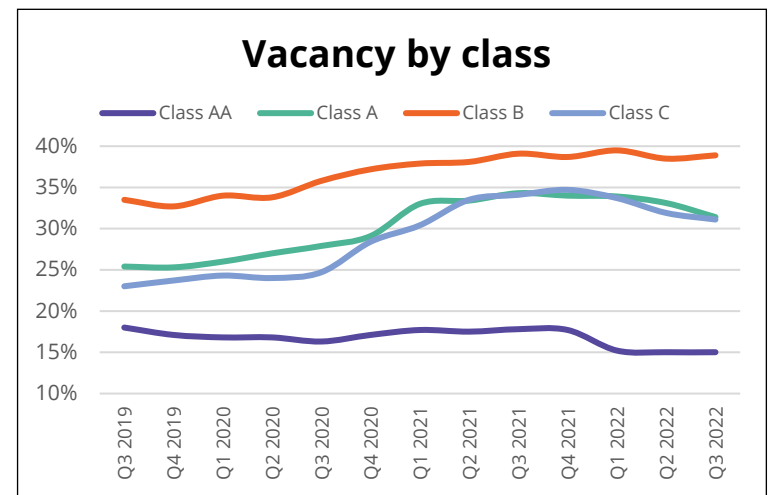
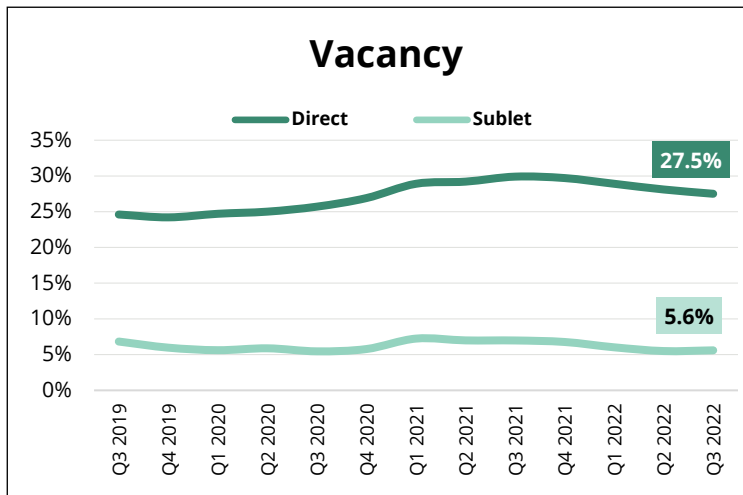
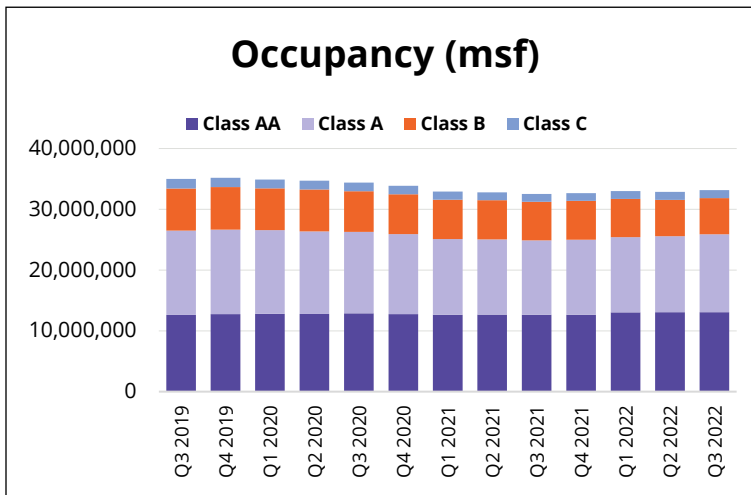
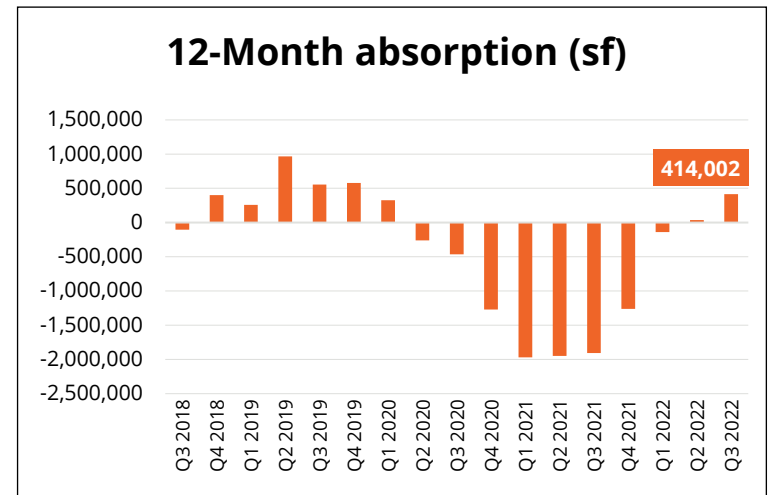
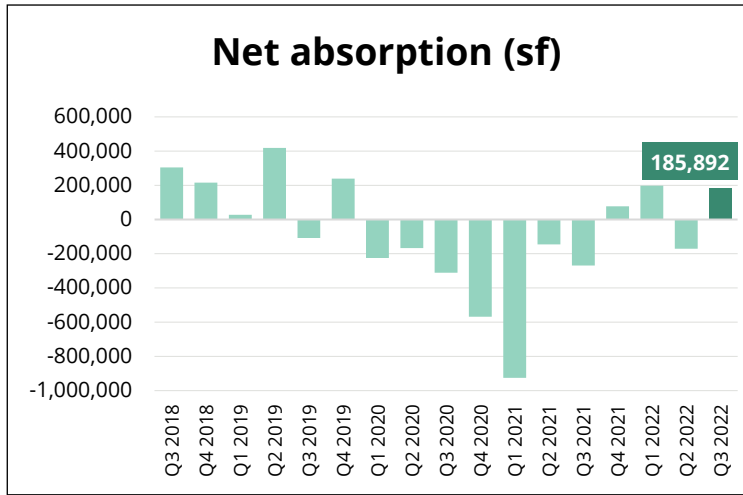
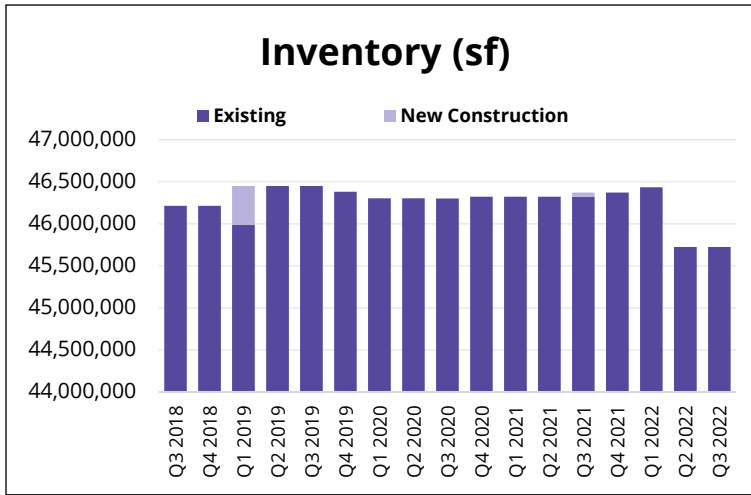
**185,892**

square feet positive downtown absorption  
Q3 2022

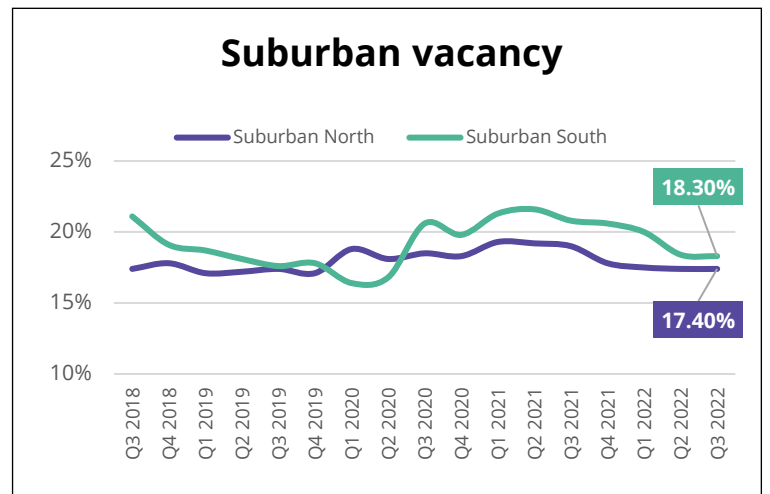
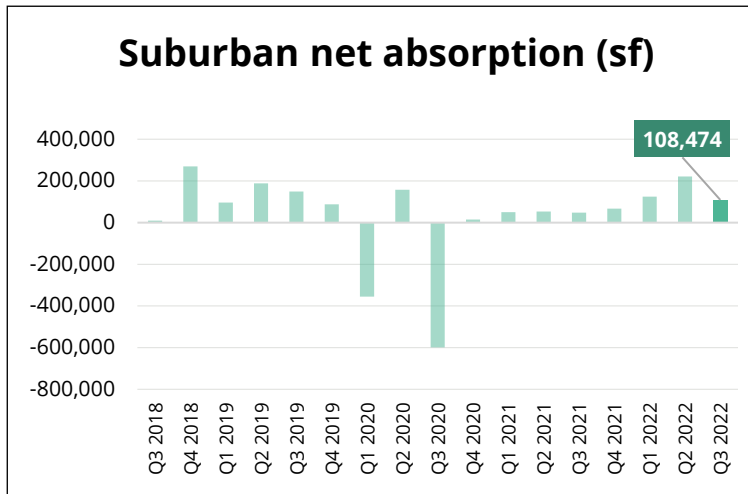
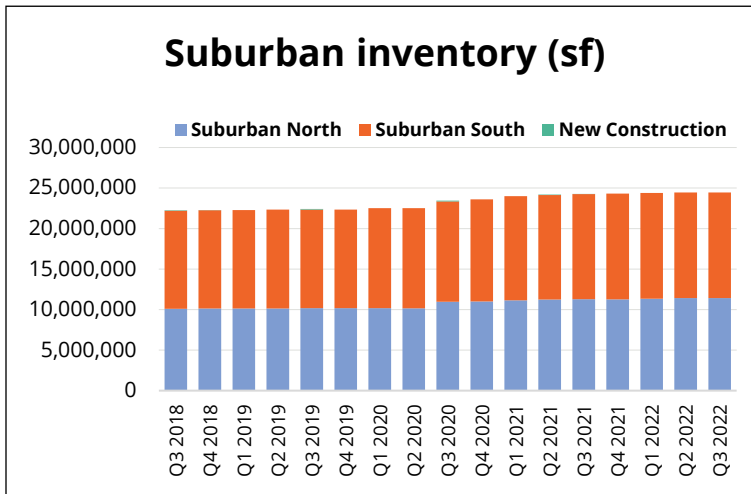
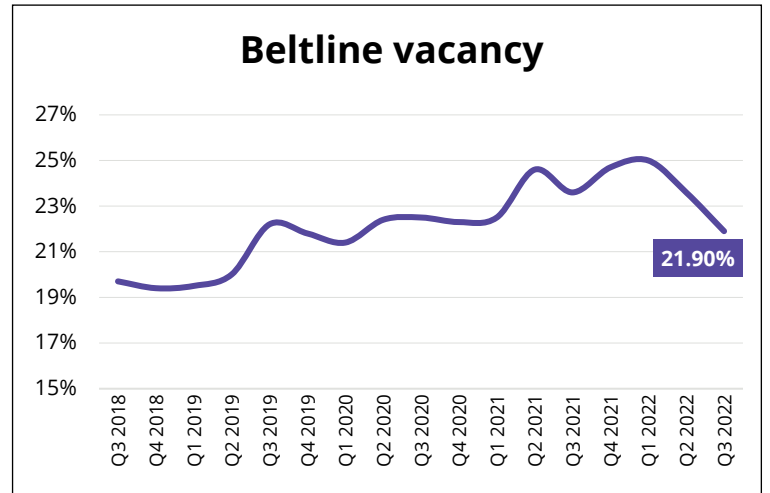
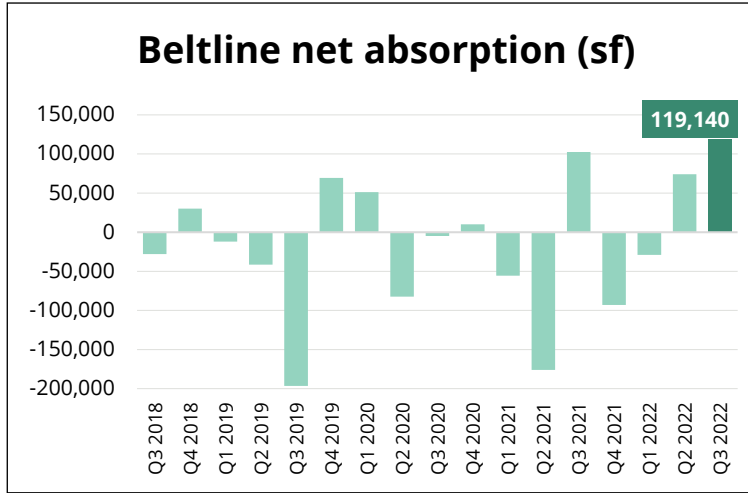
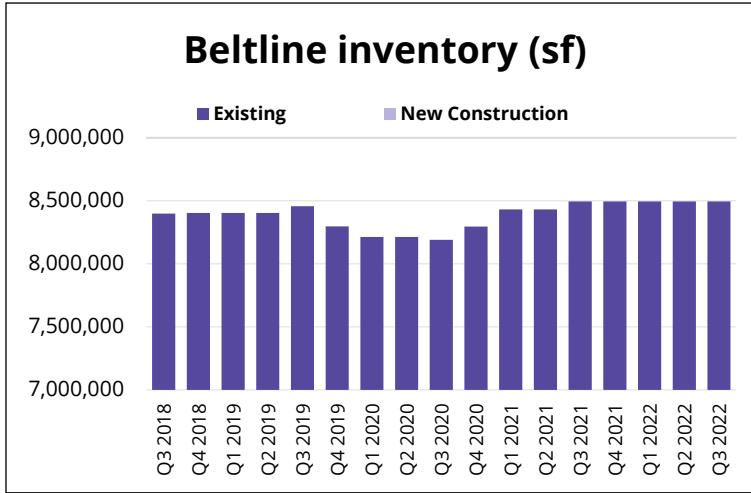
**4**

Quarters of positive absorption in the overall  
market

# Downtown market indicators



# Beltline & Suburban market indicators





# Office markets by submarket

## Calgary Q3 2022 office market statistics

		New supply (sf)	Inventory (sf)	Number of buildings	Headlease vacancy (sf)	Sublease vacancy (sf)	Total vacancy (sf)	Headlease vacancy rate	Sublease vacancy rate	Total vacancy rate	Occupancy (sf)	Absorption for quarter (sf)	Under construction (sf)
<b>Downtown</b>		<b>0</b>	<b>45,725,457</b>	<b>168</b>	<b>9,994,281</b>	<b>2,565,504</b>	<b>12,559,785</b>	<b>21.9%</b>	<b>5.6%</b>	<b>27.5%</b>	<b>33,165,672</b>	<b>185,892</b>	<b>0</b>
	Class AA	0	15,381,587	19	1,144,357	1,169,010	2,313,367	7.4%	7.6%	15.0%	13,068,220	-114,744	0
	Class A	0	18,699,645	52	4,699,315	1,164,763	5,864,078	25.1%	6.2%	31.4%	12,835,567	322,784	0
	Class B	0	9,713,191	62	3,567,429	210,854	3,778,283	36.7%	2.2%	38.9%	5,934,908	-34,693	0
	Class C	0	1,931,034	35	583,180	20,877	604,057	30.2%	1.1%	31.3%	1,326,977	12,545	0
<b>Beltline</b>		<b>0</b>	<b>8,495,402</b>	<b>119</b>	<b>1,576,133</b>	<b>286,337</b>	<b>1,862,470</b>	<b>18.6%</b>	<b>3.4%</b>	<b>21.9%</b>	<b>6,632,932</b>	<b>119,140</b>	<b>0</b>
	Class A	0	3,203,193	31	354,550	183,563	538,113	11.1%	5.7%	16.8%	2,665,080	133,349	0
	Class B	0	3,627,251	61	959,588	62,857	1,022,445	26.5%	1.7%	28.2%	2,604,806	10,662	0
	Class C	0	1,664,958	27	261,995	39,917	301,912	15.7%	2.4%	18.1%	1,363,046	-24,871	0
<b>Suburban North</b>		<b>0</b>	<b>11,415,351</b>	<b>186</b>	<b>1,609,725</b>	<b>376,567</b>	<b>1,986,292</b>	<b>14.1%</b>	<b>3.3%</b>	<b>17.4%</b>	<b>9,429,059</b>	<b>1,599</b>	<b>217,079</b>
	Class A	0	6,785,913	89	925,219	305,464	1,230,683	13.6%	4.5%	18.1%	5,555,230	-2,761	217,079
	Class B	0	3,058,390	61	381,090	71,103	452,193	12.5%	2.3%	14.8%	2,606,197	16,787	0
	Class C	0	1,571,048	36	303,416	0	303,416	19.3%	0.0%	19.3%	1,267,632	-12,427	0
<b>Suburban Northeast</b>		<b>0</b>	<b>8,645,981</b>	<b>132</b>	<b>1,282,999</b>	<b>153,321</b>	<b>1,436,320</b>	<b>14.8%</b>	<b>1.8%</b>	<b>16.6%</b>	<b>7,209,661</b>	<b>210,261</b>	<b>0</b>
	Class A	0	5,128,727	61	688,155	82,218	770,373	13.4%	1.6%	15.0%	4,358,354	140,277	0
	Class B	0	2,220,493	43	319,839	71,103	390,942	14.4%	3.2%	17.6%	1,829,551	-64,193	0
	Class C	0	1,296,761	28	275,005	0	275,005	21.2%	0.0%	21.2%	1,021,756	134,177	0
<b>Suburban Northwest</b>		<b>0</b>	<b>2,769,370</b>	<b>54</b>	<b>326,726</b>	<b>223,246</b>	<b>549,972</b>	<b>11.8%</b>	<b>8.1%</b>	<b>19.9%</b>	<b>2,219,398</b>	<b>-44,005</b>	<b>217,079</b>
	Class A	0	1,657,186	28	237,064	223,246	460,310	14.3%	13.5%	27.8%	1,196,876	-47,137	217,079
	Class B	0	837,897	18	61,251	0	61,251	7.3%	0.0%	7.3%	776,646	5,505	0
	Class C	0	274,287	8	28,411	0	28,411	10.4%	0.0%	10.4%	245,876	-2,373	0

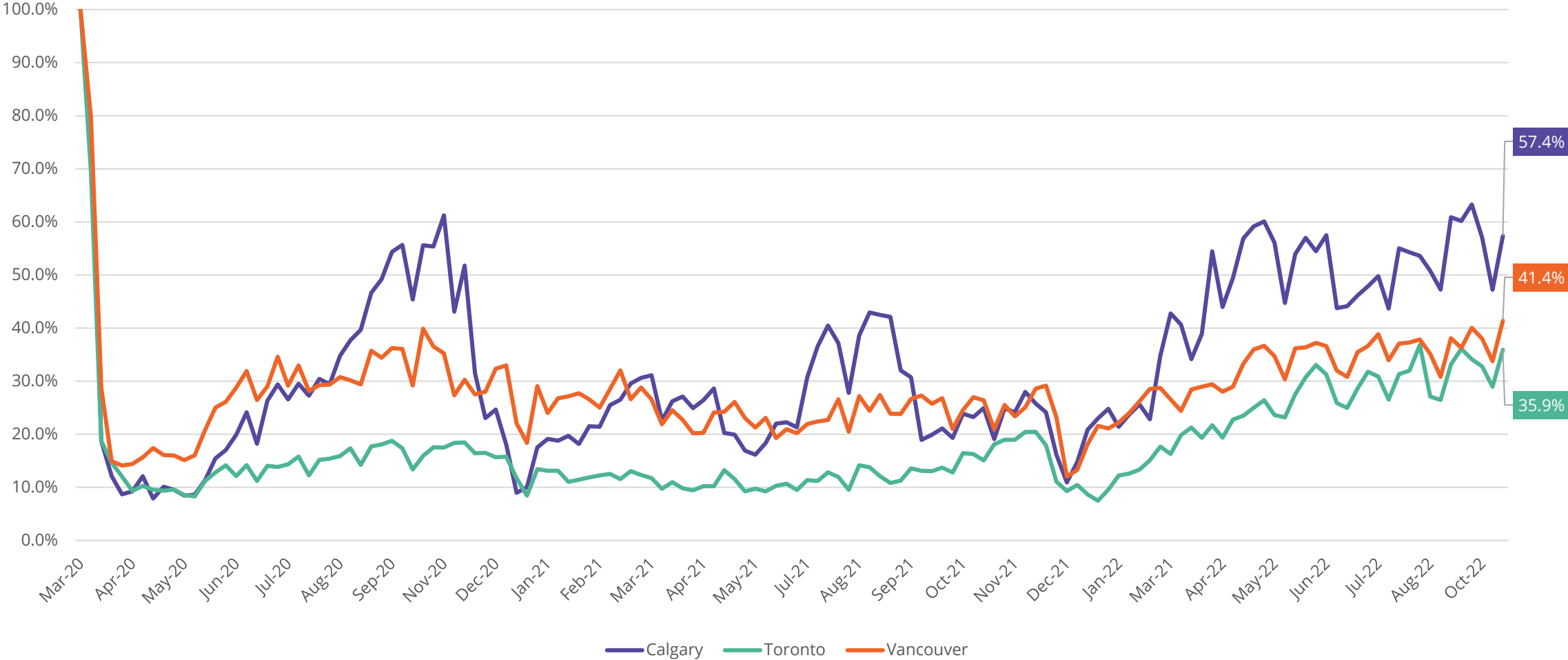
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<b>Suburban South</b>	<b>0</b>	<b>13,048,822</b>	<b>187</b>	<b>2,098,872</b>	<b>294,729</b>	<b>2,393,601</b>	<b>16.1%</b>	<b>2.3%</b>	<b>18.3%</b>	<b>10,655,221</b>	<b>7,811</b>	<b>0</b>
Class A	0	9,915,632	123	1,638,674	260,543	1,899,217	16.5%	2.6%	19.2%	8,016,415	43,796	0
Class B	0	2,076,390	41	378,524	17,326	395,850	18.2%	0.8%	19.1%	1,680,540	-32,932	0
Class C	0	1,056,800	23	80,299	14,786	95,085	7.6%	1.4%	9.0%	961,715	-3,053	0
<b>Suburban Southeast</b>	<b>0</b>	<b>8,929,166</b>	<b>132</b>	<b>1,493,844</b>	<b>249,039</b>	<b>1,742,883</b>	<b>16.7%</b>	<b>2.8%</b>	<b>19.5%</b>	<b>7,186,283</b>	<b>157,034</b>	<b>0</b>
Class A	0	6,972,462	89	1,255,422	218,851	1,474,273	18.0%	3.1%	21.1%	5,498,189	157,392	0
Class B	0	1,089,083	25	163,034	15,402	178,436	15.0%	1.4%	16.4%	910,647	18,721	0
Class C	0	867,621	18	75,388	14,786	90,174	8.7%	1.7%	10.4%	777,447	-19,079	0
<b>Suburban Southwest</b>	<b>0</b>	<b>4,119,656</b>	<b>55</b>	<b>605,028</b>	<b>45,690</b>	<b>650,718</b>	<b>14.7%</b>	<b>1.1%</b>	<b>15.8%</b>	<b>3,468,938</b>	<b>131,537</b>	<b>0</b>
Class A	0	2,943,170	34	383,252	41,692	424,944	13.0%	1.4%	14.4%	2,518,226	119,219	0
Class B	0	987,307	16	215,490	1,924	217,414	21.8%	0.2%	22.0%	769,893	16,876	0
Class C	0	189,179	5	4,911	0	4,911	2.6%	0.0%	2.6%	184,268	-1,109	0
<b>Suburban total</b>	<b>0</b>	<b>24,464,173</b>	<b>373</b>	<b>3,708,597</b>	<b>671,296</b>	<b>4,379,893</b>	<b>15.2%</b>	<b>2.7%</b>	<b>17.9%</b>	<b>20,084,280</b>	<b>9,410</b>	<b>217,079</b>
Class A	0	16,701,545	212	2,563,893	566,007	3,129,900	15.4%	3.4%	18.7%	13,571,645	41,035	217,079
Class B	0	5,134,780	102	759,614	88,429	848,043	14.8%	1.7%	16.5%	4,286,737	-16,145	0
Class C	0	2,627,848	59	383,715	14,786	398,501	14.6%	0.6%	15.2%	2,229,347	-15,480	0
<b>Calgary total</b>	<b>0</b>	<b>78,685,032</b>	<b>660</b>	<b>15,279,011</b>	<b>3,523,137</b>	<b>18,802,148</b>	<b>19.4%</b>	<b>4.5%</b>	<b>23.9%</b>	<b>59,882,884</b>	<b>314,442</b>	<b>217,079</b>
Class AA & A	0	53,985,970	314	8,762,115	3,083,343	11,845,458	16.2%	5.7%	21.9%	42,140,512	382,424	217,079
Class B	0	18,475,222	225	5,286,631	362,140	5,648,771	28.6%	2.0%	30.6%	12,826,451	-40,176	0
Class C	0	6,223,840	121	1,228,890	75,580	1,304,470	19.7%	1.2%	21.0%	4,919,370	-27,806	0



# Avison Young Vitality Index – Office foot traffic recovery rates



For more market insights  
and information visit  
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