



Calgary office market report

Q4 2022

**AVISON
YOUNG**

What's the scoop?

Positive absorption streak stalls in Q4. Bright spots remain, however.

The fourth quarter of 2022 capped off one of the strongest leasing environments the Calgary office sector has seen in years. A year long streak of positive absorption activity for the overall market came to an end, however, with a negative 120,519 square feet of absorption recorded in Q4. Much of the gain the market experienced this quarter was offset by major downtown tenants in the energy industry "right-sizing" their operations.

Positive momentum was also the story for outside of downtown, with suburban markets recording a seventh straight quarter of positive activity. In addition, the overall office market experienced a positive absorption of 131,820 square feet throughout the year.

Bracing for the storm

Much of the last 6 months had a negative cloud over it with an anticipated recession coming. Thankfully it did not arrive as Canada's economy experienced a modestly positive Q4. The clouds, however, have not gone away as we head into the new year. Many industry experts are predicting a slow down for the entire CRE sector in 2023 with investment levels anticipated to be in flux amidst an environment of fiscal restraint.

Given this, Calgary still appears to have the right fundamentals to perform well compared to other areas of the country. The strong environment for commodity prices is predicted to remain elevated for some time to come, creating a favorable environment for our economy. The strength of the city's industrial, residential, and land sectors will continue to bring investment and relocation to the market.

Our point of view.

This was a year where the picture became much clearer with regards to the shape of the recovery from the pandemic and another test of the Calgary commercial market's resiliency in the face of economic hardship. A strong rise in office leasing activity was a win for Calgary's economy this year. We've also been reminded that the future is anything but certain, with challenges facing us on the local, national, and international scales.



Office market trends

01

Inner city and suburban tenant diversity

Submarkets outside of downtown had a banner year, and much of that is attributed to the diversity of tenants the segment lends itself to. The healthcare, engineering, and energy sectors were the most active in 2022.

Calgary's burgeoning tech sector is still on the rise, but the activity seen hasn't been enough to drive market forces just yet. The start up and small-cap tech scene has traditionally been attracted to inner-city and suburban submarkets, but the downtown with its larger floorplates and rich social scene are changing this dynamic. We anticipate the municipal and provincial governments will continue to push the tech industry in Alberta.

02

Rental rate pressures

Rental rates have been on an upward trajectory for the past year, with Class A & AA spaces leading the way. Leasing costs will continue to face upward pressure in the coming year with the main contributors being the flight to quality and the strain of high inflation. These are two trends that will continue to have a heavy influence on the market.

In addition, construction cost increases and delivery delays will continue to be factors to contend with for new space build outs.

03

Flight to quality continues

Conversations around the necessity of modernizing and adapting space are becoming ever-present. This is becoming a major theme around the battle for attracting talent and retaining staff. This will manifest in different ways. But one thing for certain is the perspective that the "old-fashioned office" has become "out of fashion."



Market Fundamentals

23.8%

Overall Vacancy Rate
down 2.2% since Q4 2021

27.2%

Overall Downtown Vacancy Rate
down 2.5% since Q4 2021

14.8%

Overall Class AA Vacancy Rate
down 2.9% since Q4 2021

-120,519

Square feet overall absorption
Q4 2022

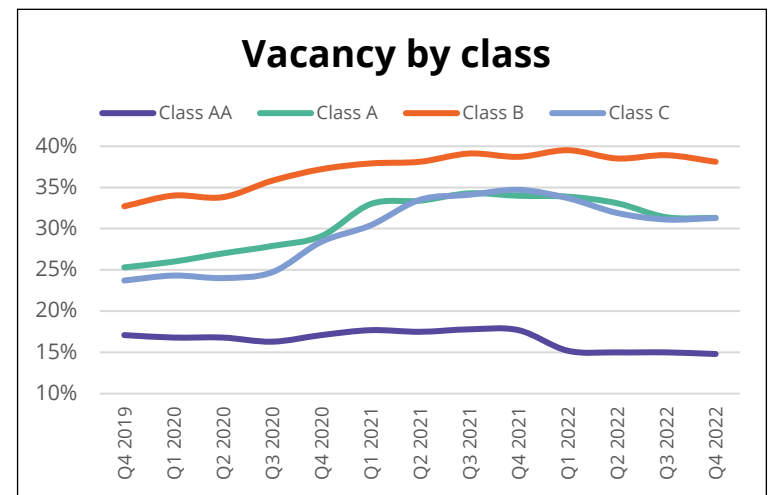
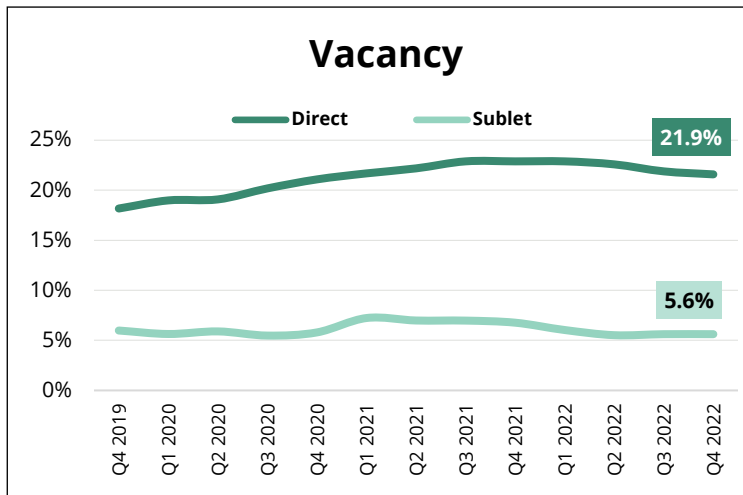
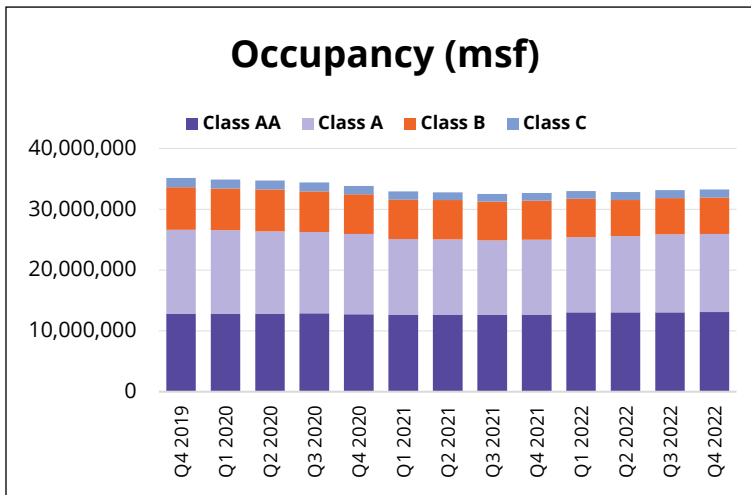
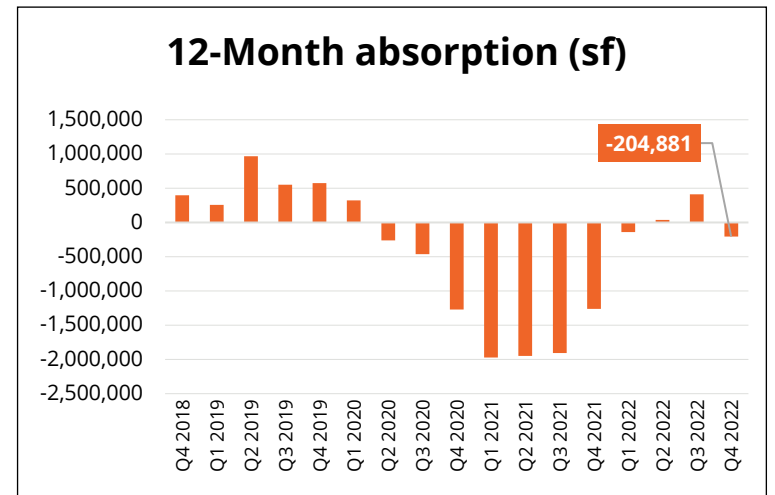
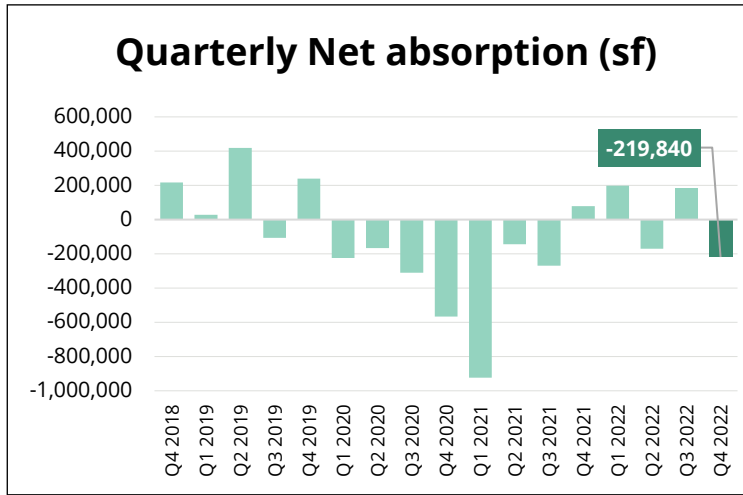
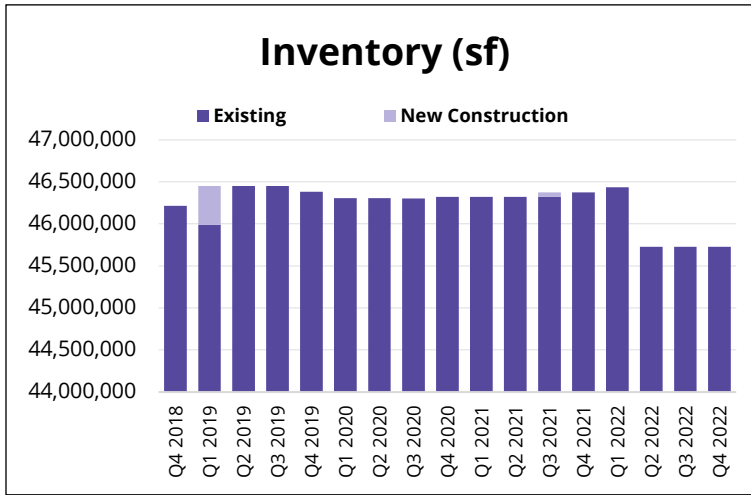
95,543

Square feet suburban absorption
Q4 2022

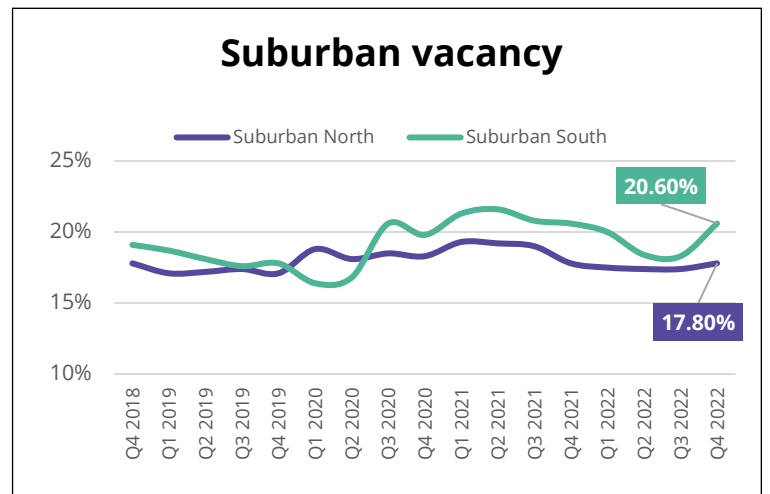
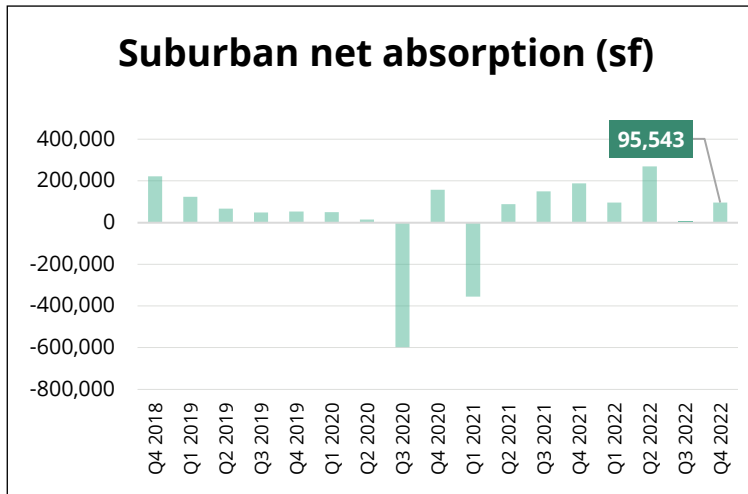
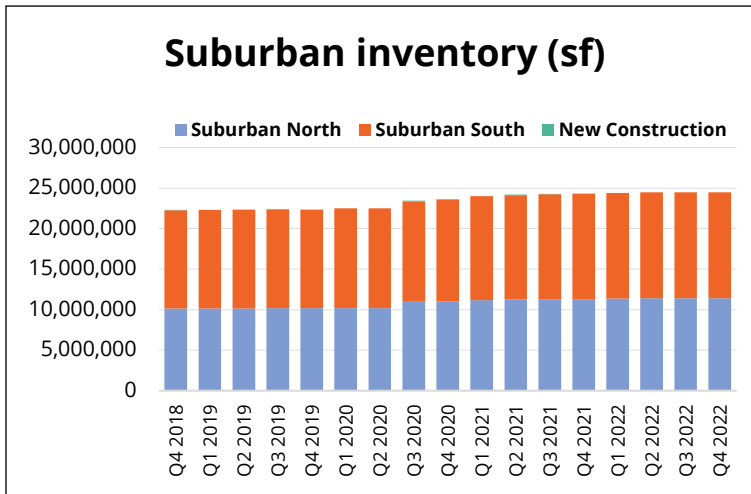
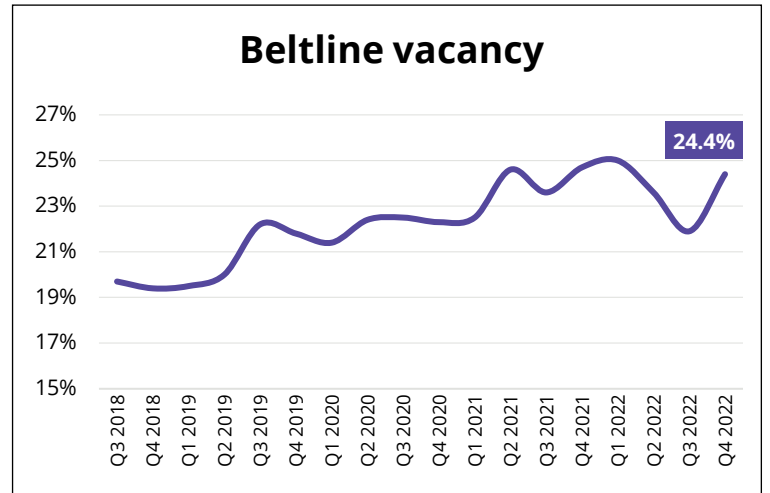
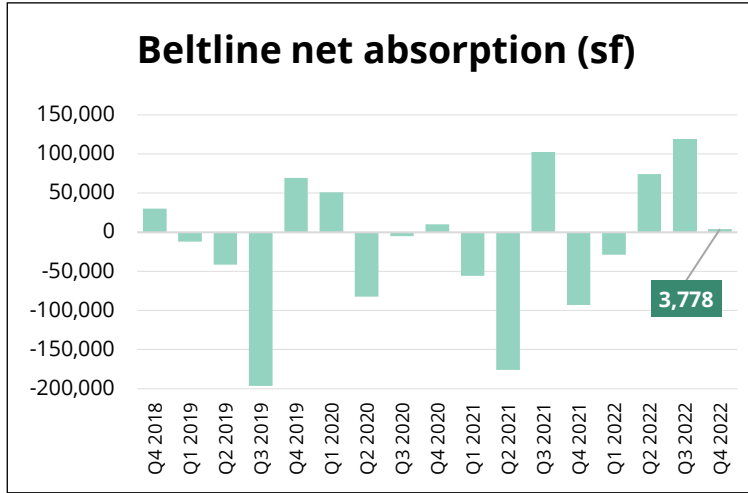
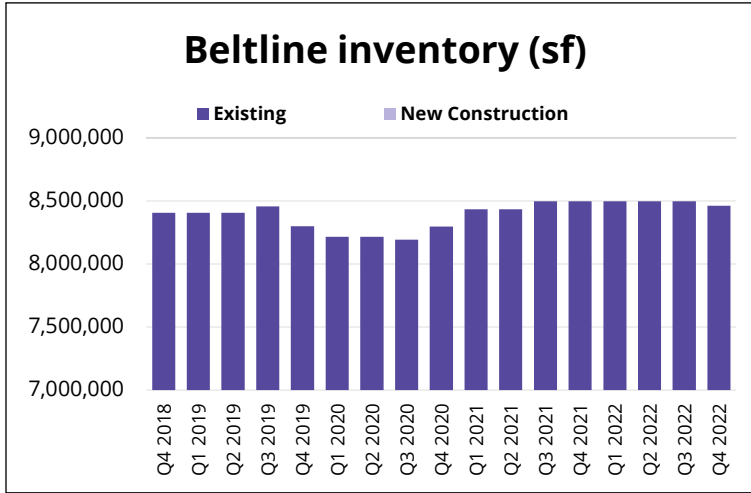
131,820

Square feet of absorption
2022

Downtown market indicators



Beltline & Suburban market indicators



Office markets by submarket

Calgary Q4 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)
Downtown		0	45,725,457	168	9,883,112	2,559,773	12,442,885	21.6%	5.6%	27.2%	33,282,572	-219,840	0
	Class AA	0	15,381,587	19	1,148,785	1,134,708	2,283,493	7.5%	7.4%	14.8%	13,098,094	29,874	0
	Class A	0	18,699,645	52	4,666,468	1,190,679	5,857,147	25.0%	6.4%	31.3%	12,842,498	-329,809	0
	Class B	0	9,713,191	62	3,491,190	205,946	3,697,136	35.9%	2.1%	38.1%	6,016,055	81,147	0
	Class C	0	1,931,034	35	576,669	28,440	605,109	29.9%	1.5%	31.3%	1,325,925	-1,052	0
Beltline		0	8,460,631	119	1,734,255	331,542	2,065,797	20.5%	3.9%	24.4%	6,394,834	3,778	0
	Class A	0	3,168,422	31	523,471	226,068	749,539	16.5%	7.1%	23.7%	2,418,883	-4,321	0
	Class B	0	3,627,251	61	946,028	65,557	1,011,585	26.1%	1.8%	27.9%	2,615,666	10,860	0
	Class C	0	1,664,958	27	264,756	39,917	304,673	15.9%	2.4%	18.3%	1,360,285	-2,761	0
Suburban North		0	11,415,351	186	1,462,448	365,625	1,828,073	12.8%	3.2%	16.0%	9,587,278	98,219	217,079
	Class A	0	6,785,913	89	804,908	294,522	1,099,430	11.9%	4.3%	16.2%	5,686,483	71,253	217,079
	Class B	0	3,058,390	61	369,110	71,103	440,213	12.1%	2.3%	14.4%	2,618,177	11,980	0
	Class C	0	1,571,048	36	288,430	0	288,430	18.4%	0.0%	18.4%	1,282,618	14,986	0
Suburban Northeast		0	8,645,981	132	1,132,116	142,379	1,274,495	13.1%	1.6%	14.7%	7,371,486	372,086	0
	Class A	0	5,128,727	61	565,581	71,276	636,857	11.0%	1.4%	12.4%	4,491,870	273,793	0
	Class B	0	2,220,493	43	311,927	71,103	383,030	14.0%	3.2%	17.2%	1,837,463	-56,281	0
	Class C	0	1,296,761	28	254,608	0	254,608	19.6%	0.0%	19.6%	1,042,153	154,574	0
Suburban Northwest		0	2,769,370	54	330,332	223,246	553,578	11.9%	8.1%	20.0%	2,215,792	-47,611	217,079
	Class A	0	1,657,186	28	239,327	223,246	462,573	14.4%	13.5%	27.9%	1,194,613	-49,400	217,079
	Class B	0	837,897	18	57,183	0	57,183	6.8%	0.0%	6.8%	780,714	9,573	0
	Class C	0	274,287	8	33,822	0	33,822	12.3%	0.0%	12.3%	240,465	-7,784	0

Office markets by submarket

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	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)
Suburban South	0	13,048,822	187	2,132,727	263,550	2,396,277	16.3%	2.0%	18.4%	10,652,545	-2,676	0
Class A	0	9,915,632	123	1,718,092	229,364	1,947,456	17.3%	2.3%	19.6%	7,968,176	-48,239	0
Class B	0	2,076,390	41	335,293	17,326	352,619	16.1%	0.8%	17.0%	1,723,771	43,231	0
Class C	0	1,056,800	23	79,342	14,786	94,128	7.5%	1.4%	8.9%	962,672	957	0
Suburban Southeast	0	8,929,166	132	1,561,390	231,188	1,792,578	17.5%	2.6%	20.1%	7,136,588	107,339	0
Class A	0	6,972,462	89	1,344,962	201,000	1,545,962	19.3%	2.9%	22.2%	5,426,500	85,703	0
Class B	0	1,089,083	25	141,997	15,402	157,399	13.0%	1.4%	14.5%	931,684	39,758	0
Class C	0	867,621	18	74,431	14,786	89,217	8.6%	1.7%	10.3%	778,404	-18,122	0
Suburban Southwest	0	4,119,656	55	571,337	32,362	603,699	13.9%	0.8%	14.7%	3,515,957	178,556	0
Class A	0	2,943,170	34	373,130	28,364	401,494	12.7%	1.0%	13.6%	2,541,676	142,669	0
Class B	0	987,307	16	193,296	1,924	195,220	19.6%	0.2%	19.8%	792,087	39,070	0
Class C	0	189,179	5	4,911	0	4,911	2.6%	0.0%	2.6%	184,268	-1,109	0
Suburban total	0	24,464,173	373	3,595,175	629,175	4,224,350	14.7%	2.6%	17.3%	20,239,823	95,543	217,079
Class A	0	16,701,545	212	2,523,000	523,886	3,046,886	15.1%	3.1%	18.2%	13,654,659	23,014	217,079
Class B	0	5,134,780	102	704,403	88,429	792,832	13.7%	1.7%	15.4%	4,341,948	55,211	0
Class C	0	2,627,848	59	367,772	14,786	382,558	14.0%	0.6%	14.6%	2,245,290	15,943	0
Calgary total	0	78,650,261	660	15,212,542	3,520,490	18,733,032	19.3%	4.5%	23.8%	59,917,229	-120,519	217,079
Class AA & A	0	53,951,199	314	8,861,724	3,075,341	11,937,065	16.4%	5.7%	22.1%	42,014,134	-281,242	217,079
Class B	0	18,475,222	225	5,141,621	359,932	5,501,553	27.8%	1.9%	29.8%	12,973,669	147,218	0
Class C	0	6,223,840	121	1,209,197	83,143	1,292,340	19.4%	1.3%	20.8%	4,931,500	12,130	0

For more market insights
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