

A photograph of the Calgary skyline featuring modern glass buildings and the iconic red, curved Peace Bridge over a river. The scene is captured during the day with clear skies.

Calgary office market report

Q2 2022

**AVISON
YOUNG**

Calgary office market fundamentals

24.2%

overall vacancy rate
down 1.2% since Q1 2022

28.1%

overall downtown vacancy
down 0.8% since Q1 2022

24.2%

overall Class AA and A vacancy rate
down 0.2% since Q1 2022

709,122

square feet of residential conversion
announced to date
5 buildings

438,523

square feet positive absorption
year to date

217,079

square feet under construction
as of June 2022

What's the scoop?

Boosted pride and growing traffic

Building on the momentum seen over the past two quarters, the second quarter of 2022 saw further increase in office leasing activity and movement. Return to office initiatives continue to take shape and play out in the marketplace. Meanwhile, the 2022 edition of the Calgary Stampede wrapped up as an outstanding success with attendance approaching all time records. A glimpse at the spill over effects of the Stampede's return was provided by Avison Young's Vitality Index. Office-centric foot traffic got a big boost during Stampede with so many events occurring in and around the Downtown core.

The Stampede is certainly one of the best showcases for Calgary, not just to the world, but also for residents. It's a time that provides many a reason to return to and rediscover Downtown and the beltline, imparting civic pride and the reminder of the intangible benefits of coming together in person. While a rise in foot traffic can be expected during the Stampede, it caps off a greater trend seen throughout the year of a growing number of office visitors per average week.

Economic turbulence

Acquisition, consolidation, and downsizing continues within the energy sector, highlighted by some of the key moves announced this quarter. The first being Shell Canada's decision to downsize from its current location in Shell Centre to the Bow in the first half of next year.

Secondly, Inter Pipeline (acquired by Brookfield Infrastructure in October 2021) will vacate Calgary City Centre tower. Together, these announcements will translate to approximately 450,000 square feet of negative absorption to be realized at a future date.

Another dominant theme through the second quarter has been inflation. With the price of everything from labor and construction to office furniture being affected, concerns over a possible recession on the horizon are growing.

Our point of view

While the trend in the energy sector for consolidation is a significant variable, we see another trend being the flight to quality having an equal impact on the market.

It appears that whether economic conditions are shaky or stable, companies are continuing to pursue and upgrade to quality real estate. This is emphasized by the desire to appeal to, impress, and retain a talented and demanding workforce.



Office market trends

01

Lack of quality AA space

The chase for quality, including move-in ready and fully furnished office space is playing out in the central core. Positive absorption for AA Class properties continued in the second quarter. Combine this with headlease and sublease rates that are below ten percent, and we see the evidence of this flight to quality. The A, B, and C grade segments of the market all have vacancy rates that are more than double the AA market. It is expected that AA Class vacancy will continue to have downward momentum.

02

High price environment

With high commodity prices showing no sign of abating in the near term, the energy sector benefits from the windfall. We have yet to see this translate into significant office absorption, however, as large multi-national companies have shifted towards operational and financial efficiencies. On the other hand, higher oil prices have given smaller energy companies the confidence to make longer term decisions and actively move on office space, contributing to the boost in leasing activity seen this quarter.

03

Tenant diversification

Calgary continues to see more growth in sectors such as tech, green energy, logistics, life sciences, and media. While the downtown core tenant mix continues to be heavily skewed towards oil and gas companies, Calgary's other submarkets tend to have more of a diverse mix. As efforts continue to attract non-traditional industries to the city, potential tenants will need to evaluate the right location and fit for their culture and workforce, as amenities and modern spaces remain in high demand.

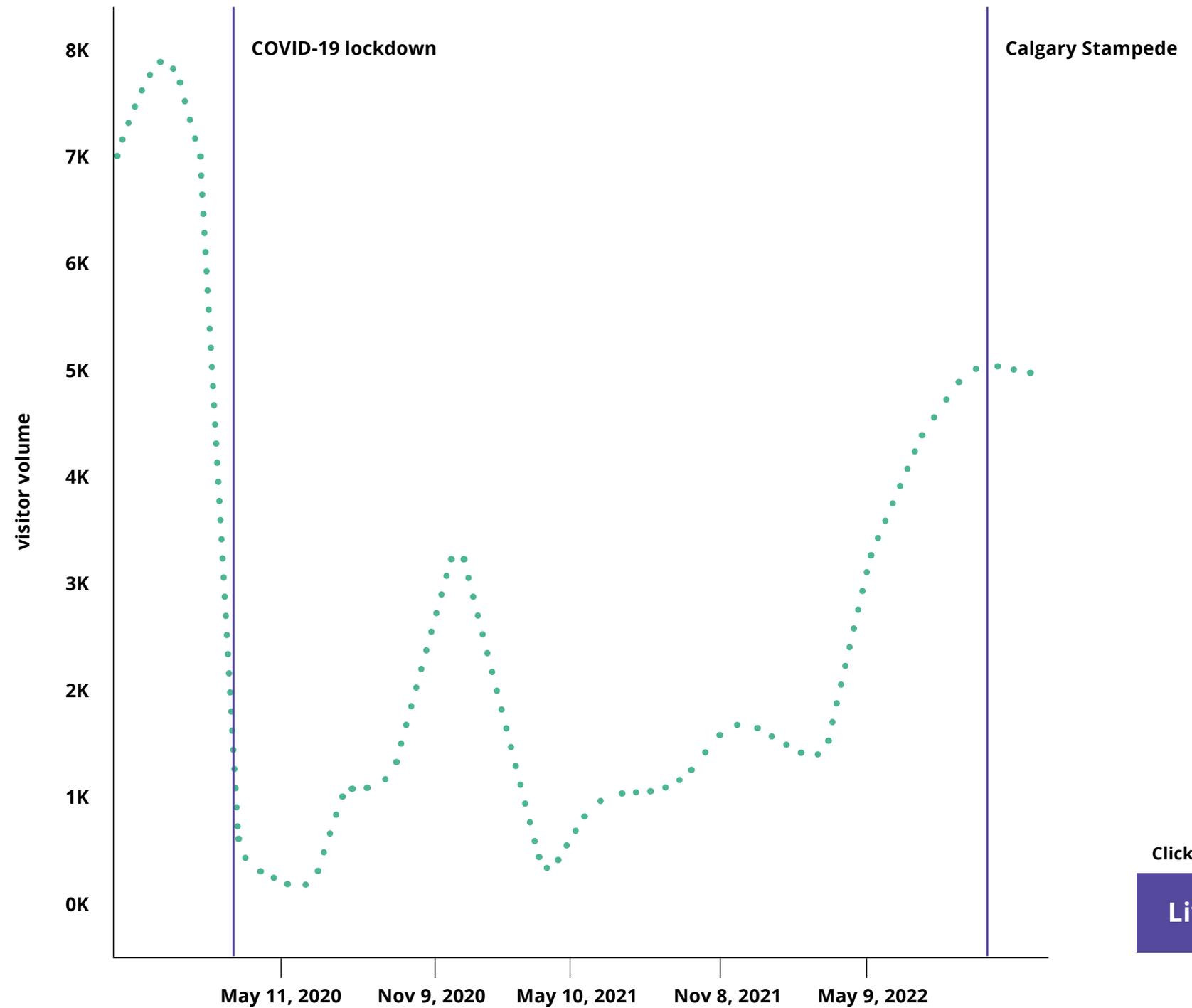


The office vitality index

Measuring the pace of our return to downtowns, updated daily Avison Young created The Vitality Index, an analytics dashboard that creates daily foot traffic estimates from representative office occupiers located in 20+ different cities.

The Vitality Index utilizes data from Orbital Insight, Avison Young's geo spatial intelligence and location analytics partner. Leveraging Orbital Insight's data, Avison Young has created an interactive AVANT by Avison Young dashboard that allows easy, real-time access to the analysis to help guide through uncertain times.

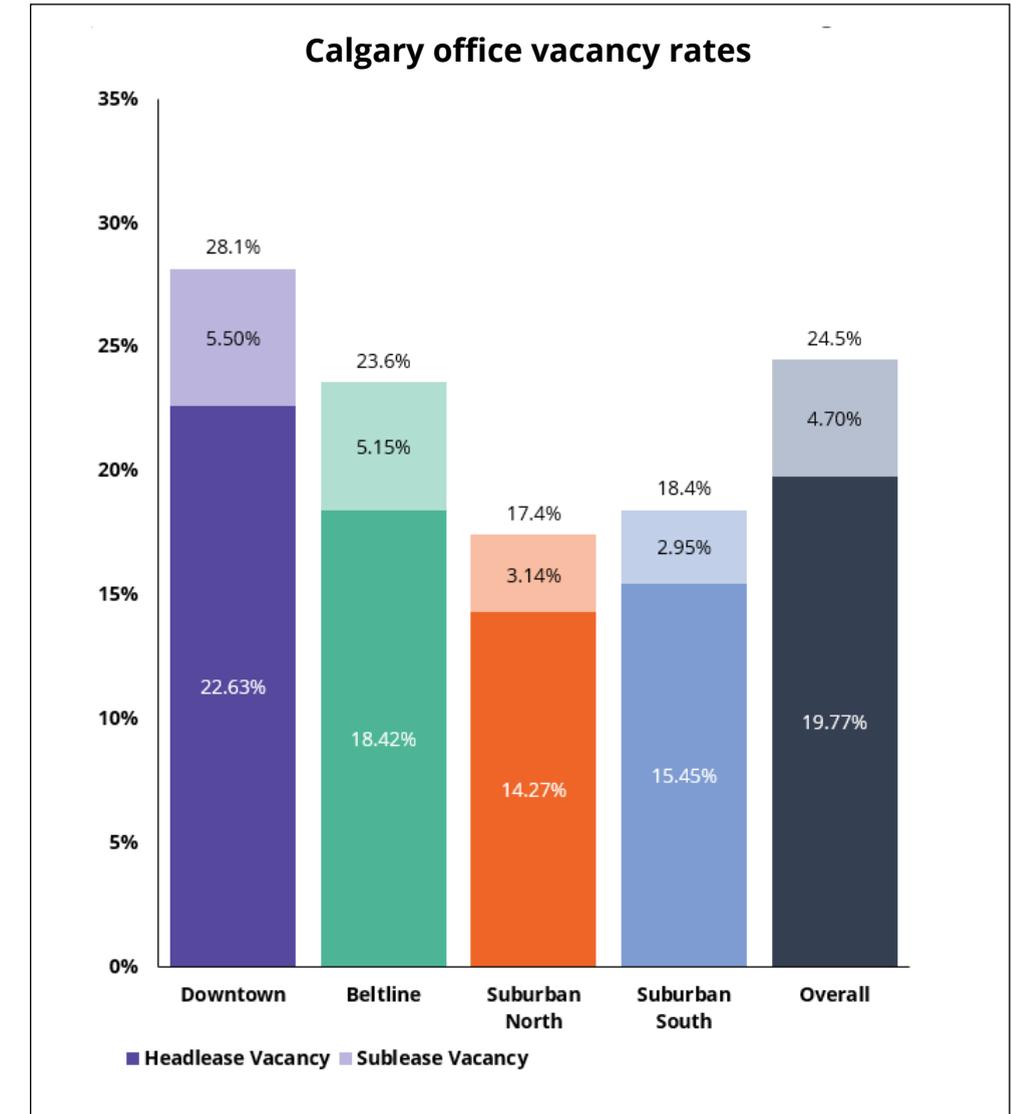
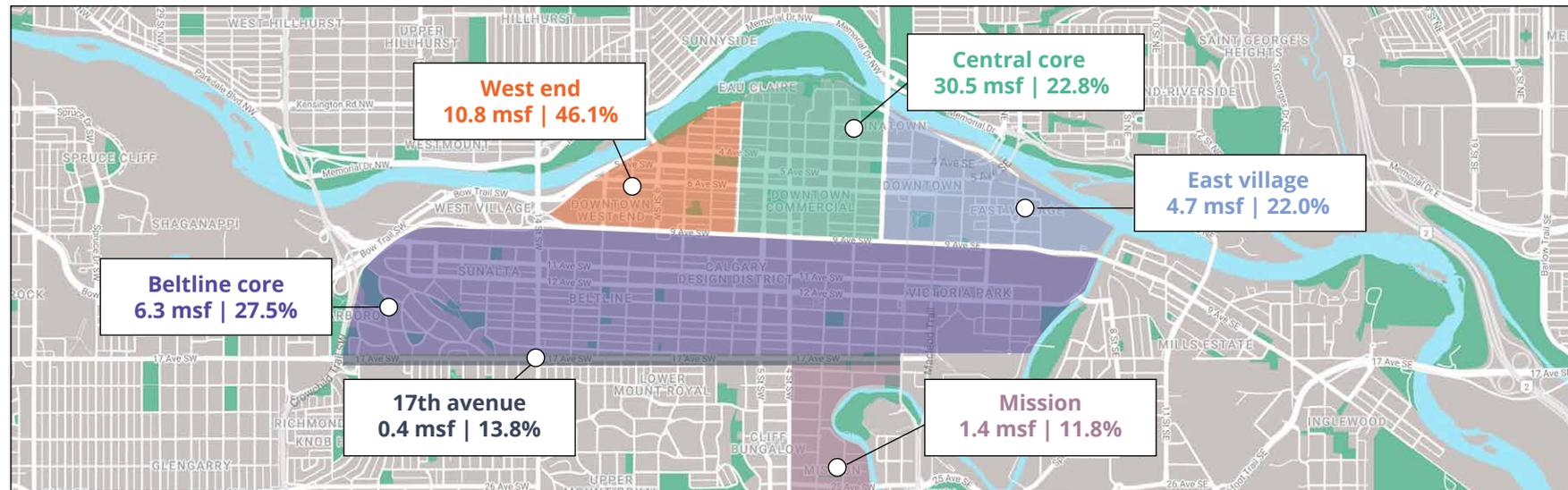
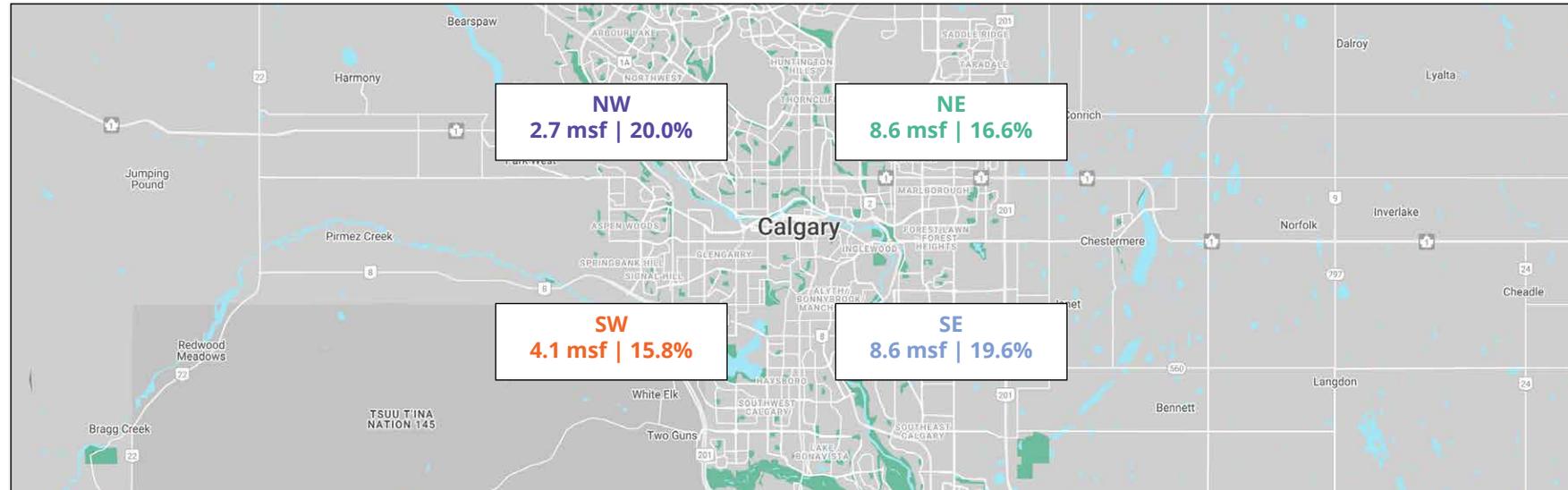
Calgary's office employees returning to their workplace at a higher rate than most other markets in the country has positively impacted momentum in the leasing market. Many decision makers are upgrading premises as their staff has shown a strong desire to come back to the office.



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[Live data](#)

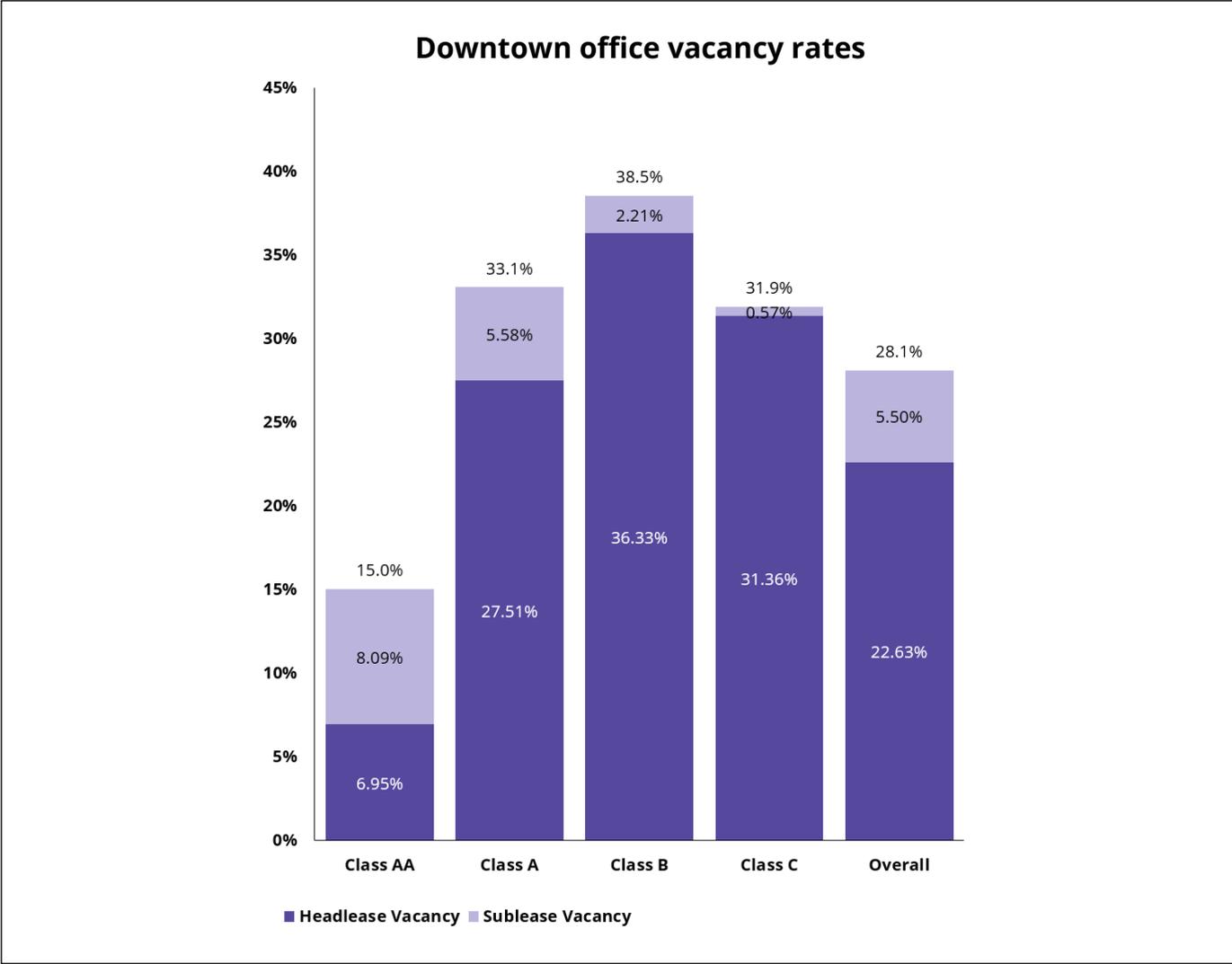
City-wide inventory and vacancy rates



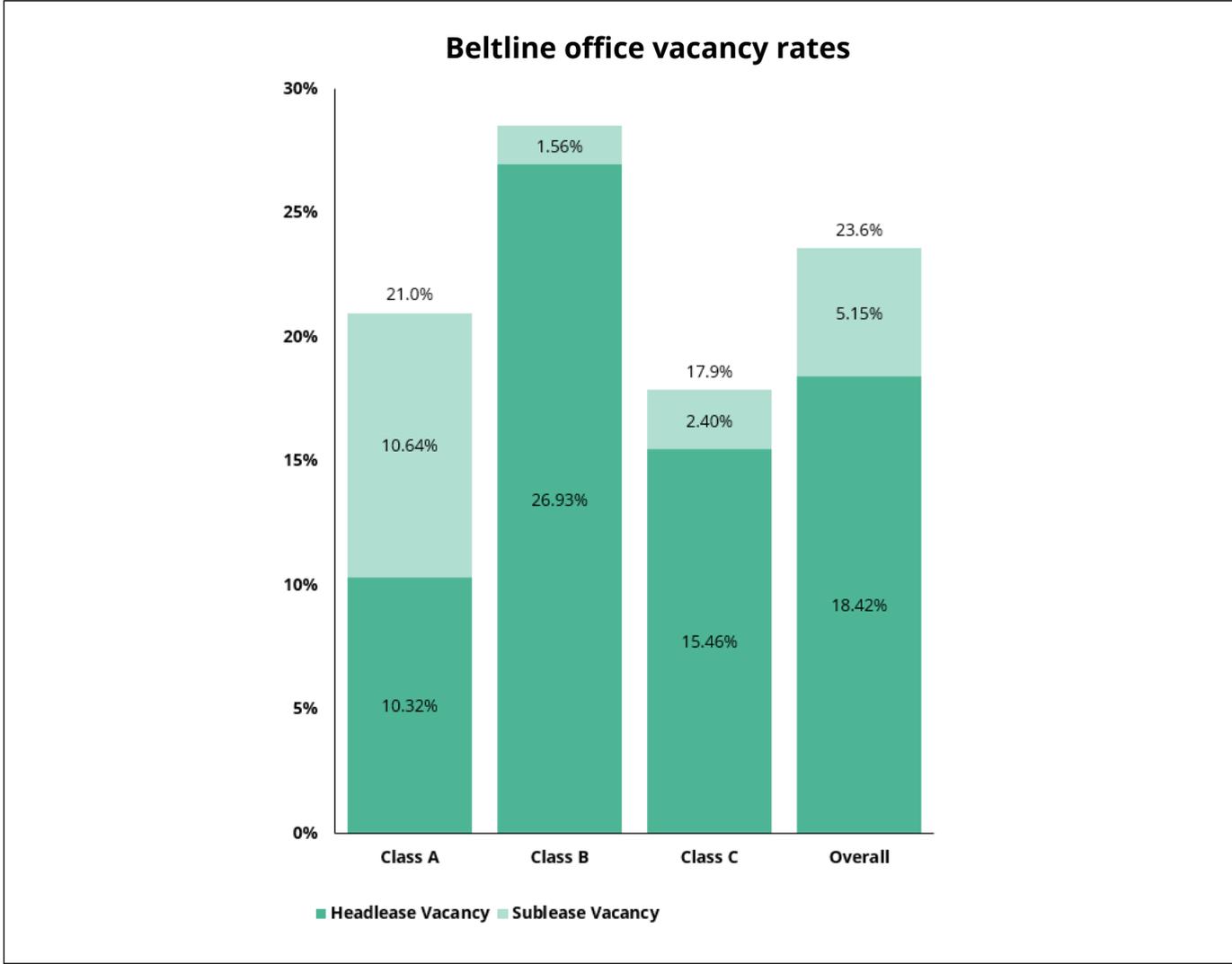
Source: AVANT by Avison Young; CoStar

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Calgary office vacancy rates

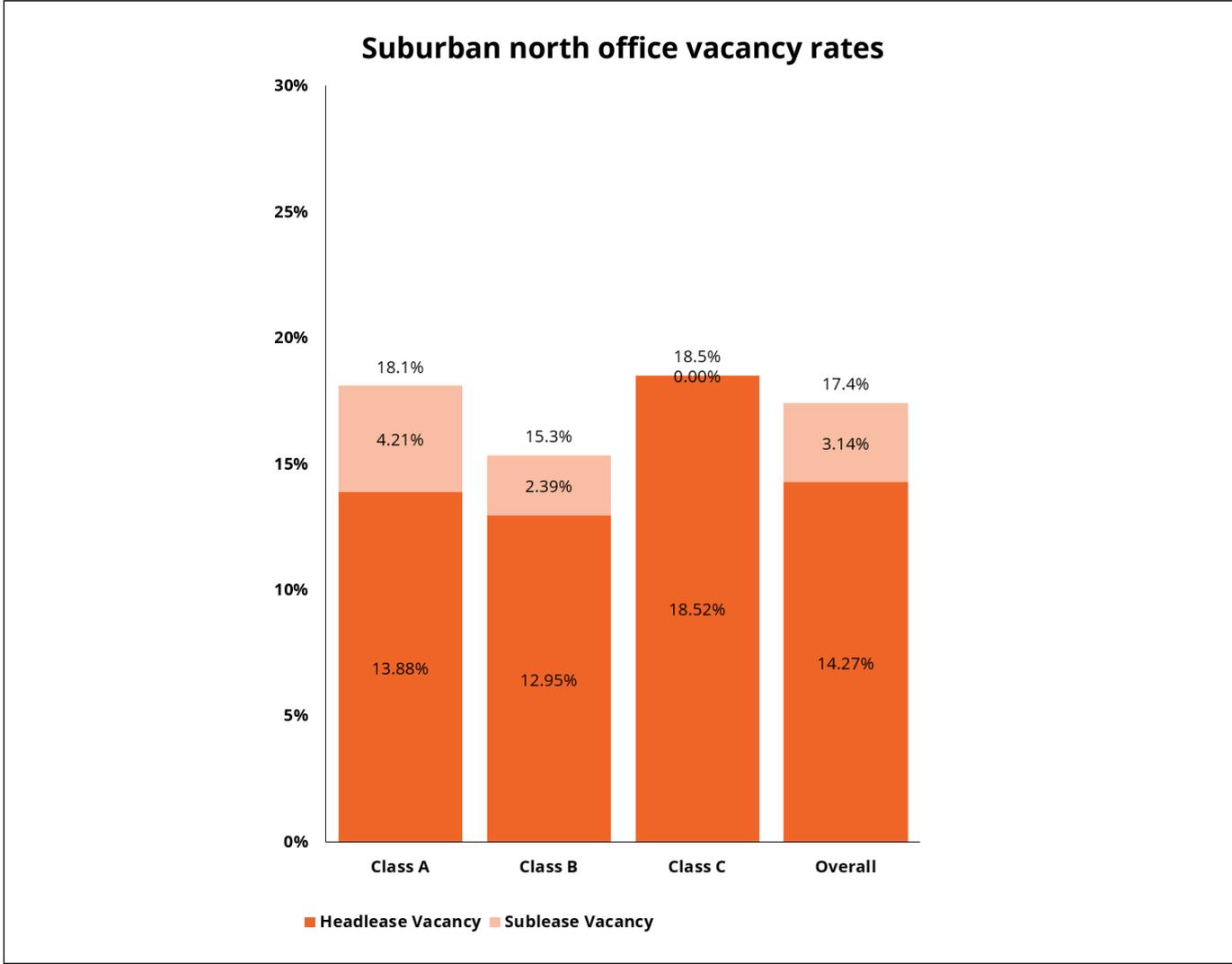
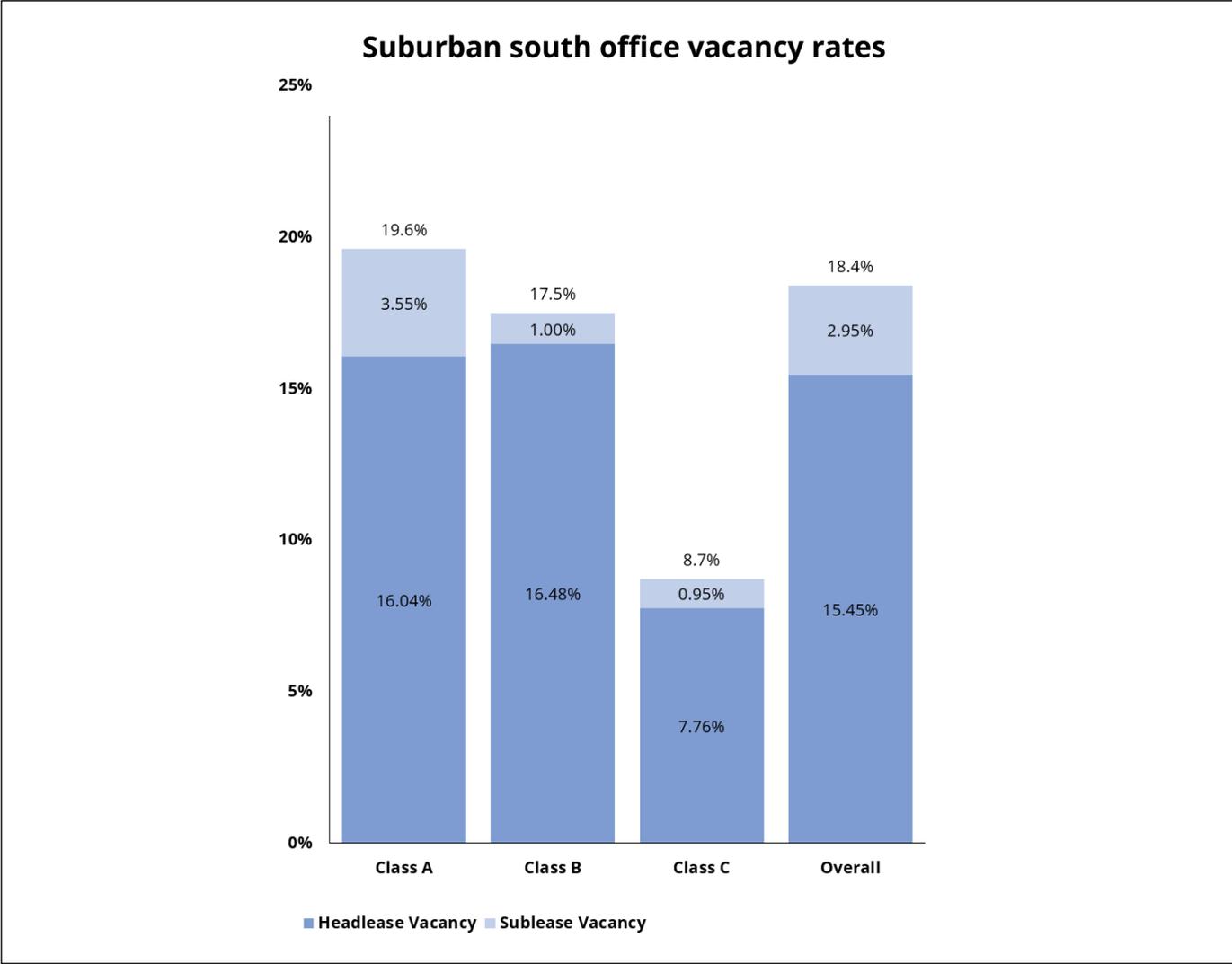


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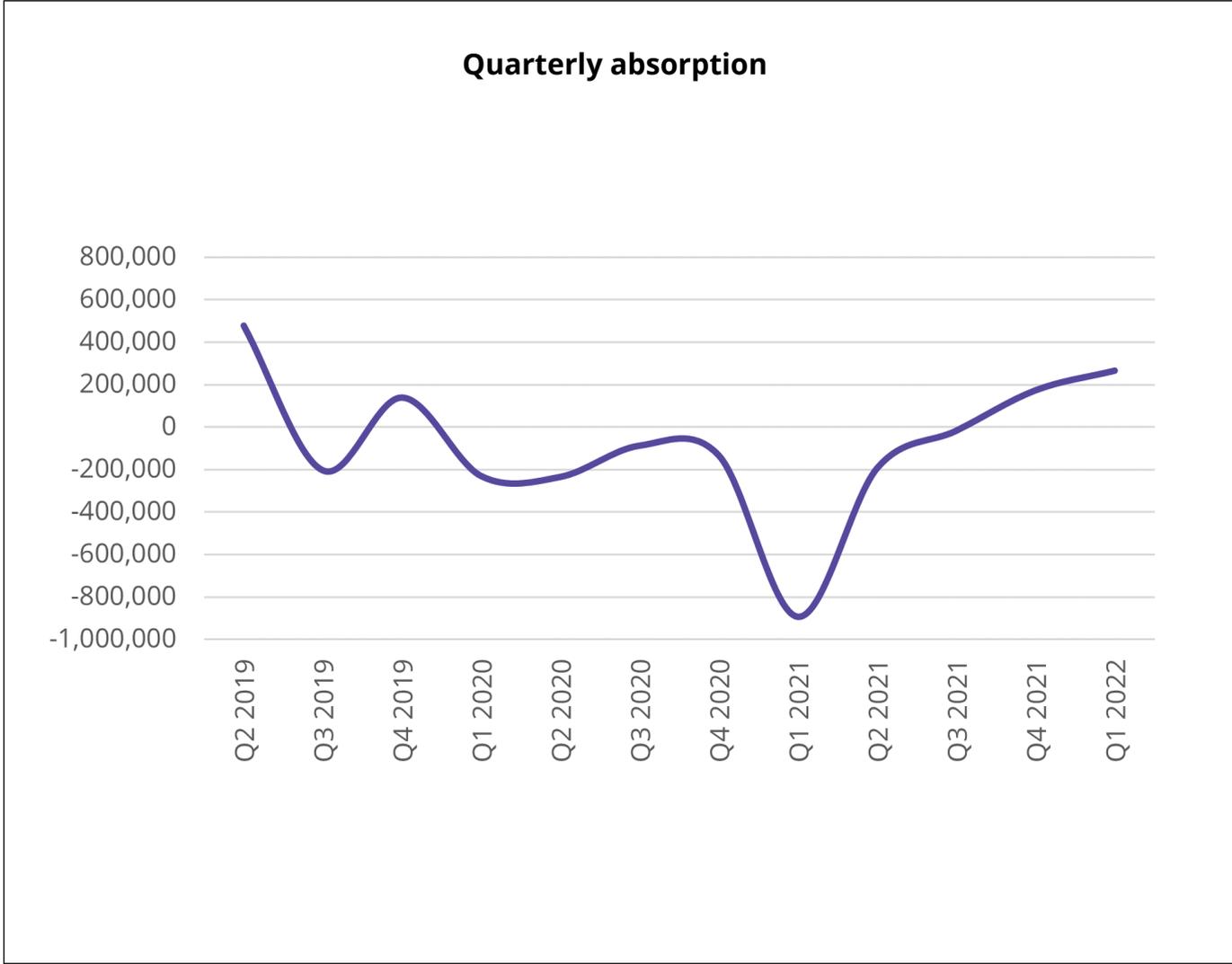
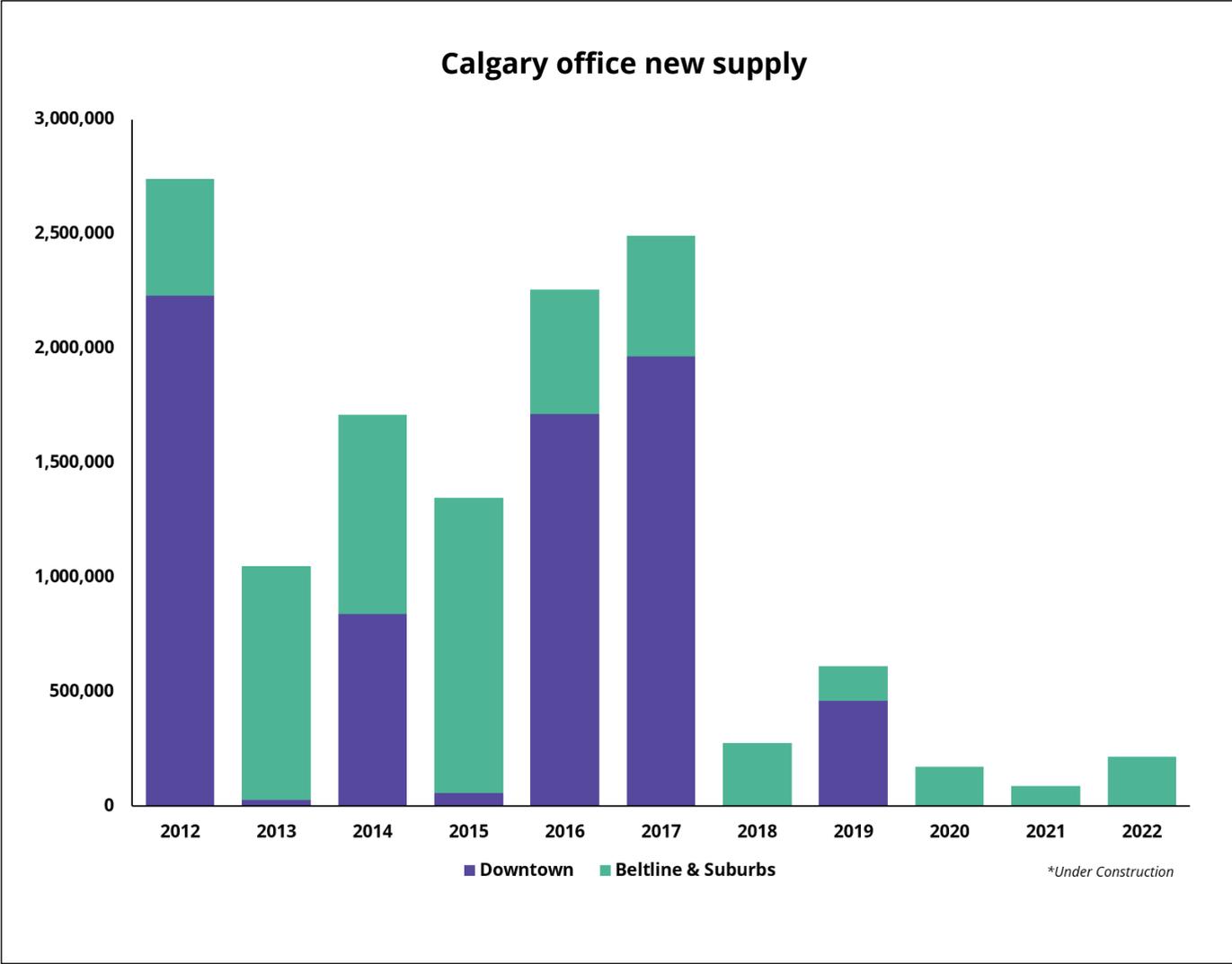
Calgary office vacancy rates



Source: AVANT by Avison Young; CoStar

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Calgary office new supply and absorption



Source: AVANT by Avison Young; CoStar

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**For more market insights
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