



# Calgary office market report

Q2 2023

**AVISON  
YOUNG**

# Calgary area market fundamentals

**24.0%**

Overall vacancy rate  
down 0.5% year over year

**27.3%**

Overall downtown vacancy rate  
down 0.8% year over year

**16.5%**

Overall class AA vacancy rate  
up 1.5% year over year

**-72,048**

Square feet of downtown absorption  
change from previous quarter

**-5,131**

Square feet of beltline absorption  
change from previous quarter

**20,788**

Square feet of suburban absorption  
change from previous quarter



# Calgary braced for approaching office headwinds

Much of the recent discourse around the office sector has centered around looming threats and the innovation required to meet the changing times. As hybrid work appears to be the consensus going forward, under-utilization of office space will have significant repercussions for companies, cities, and the economy. Rising office vacancy rates are threatening valuations and could lead to massive write-downs on the horizon. Class B and C properties are likely to fare the worst in this scenario, which is why they have been the main targets for repurposing. Office retrofitting is a serious consideration in most major markets. The conversion of office to residential space is a preferred option, given the housing challenges faced by most municipalities.

For Calgary, there is a uniqueness to the local situation. In many ways, the local market has already begun to adjust to the shocks impacting the office sector. Vacancy has declined, absorption has been on a positive trend, and tenants are flocking to amenity-rich A and AA class properties. Regarding office conversions, Calgary's program is already several steps ahead of many of its peers.



# What's the scoop?

## Market stabilization continues in Q2

Calgary's office market had a moderate quarter relative to this time last year. Downtown experienced 72,000 square feet (sf) of negative absorption, bringing year-to-date absorption to effectively nil. As a result, the vacancy rate remained flat at 27%.

The Beltline continues to struggle to gather momentum, with -5,000 sf of absorption and a slight increase in vacancy to 26%.

The suburban market saw negative absorption in the south and positive absorption in the north for a net gain of 21,000 sf. The removal of inventory due to several recent sales of repurposed buildings contributed to a drop in vacancy in the suburban north.

## Our point of view

Regarding these greater existential challenges, there remains a pervasive sense of optimism in Calgary's office market. Much of this may have to do with the fact that the office sector here has been dealing with these issues for a longer time than most. It may also have to do with the fact that the local economy is on the upswing, powered by growing employment and an immigration influx. Calgary's proactive downtown conversion program is being closely watched by many and hybrid work isn't anticipated to have the same drastic impact here as some other larger cities.



# Office market trends

## 01

### Future space considerations

Much future market activity will be driven by the new reality of hybrid work, with more companies moving to a model requiring employees to spend at least three days or more in the office. For many large block tenants, decisions regarding renewals and the size of their office footprint will loom large on the market.

Despite this, the flight to quality continues, and the market for premium space remains tight. Move-in ready space located in quality buildings is hard to come by.

## 02

### Investing for success

Capital investments to modernize properties are not only becoming necessary to win over tenants and attract employees to the office, but also to help landlords' bottom line. While overall rental rates have been trending upward, this doesn't tell the full story. Gross rents are increasing across the board, but net effective rents are decreasing in under-utilized, low-occupancy buildings. In the meantime, properties that have undergone capital improvement programs to update or add amenities have seen net effective rents rise. Several downtown office properties have either begun or have renovation plans.

The divide appears to be widening between properties that are positioning themselves for the new realities of work and those that have remained stagnant.

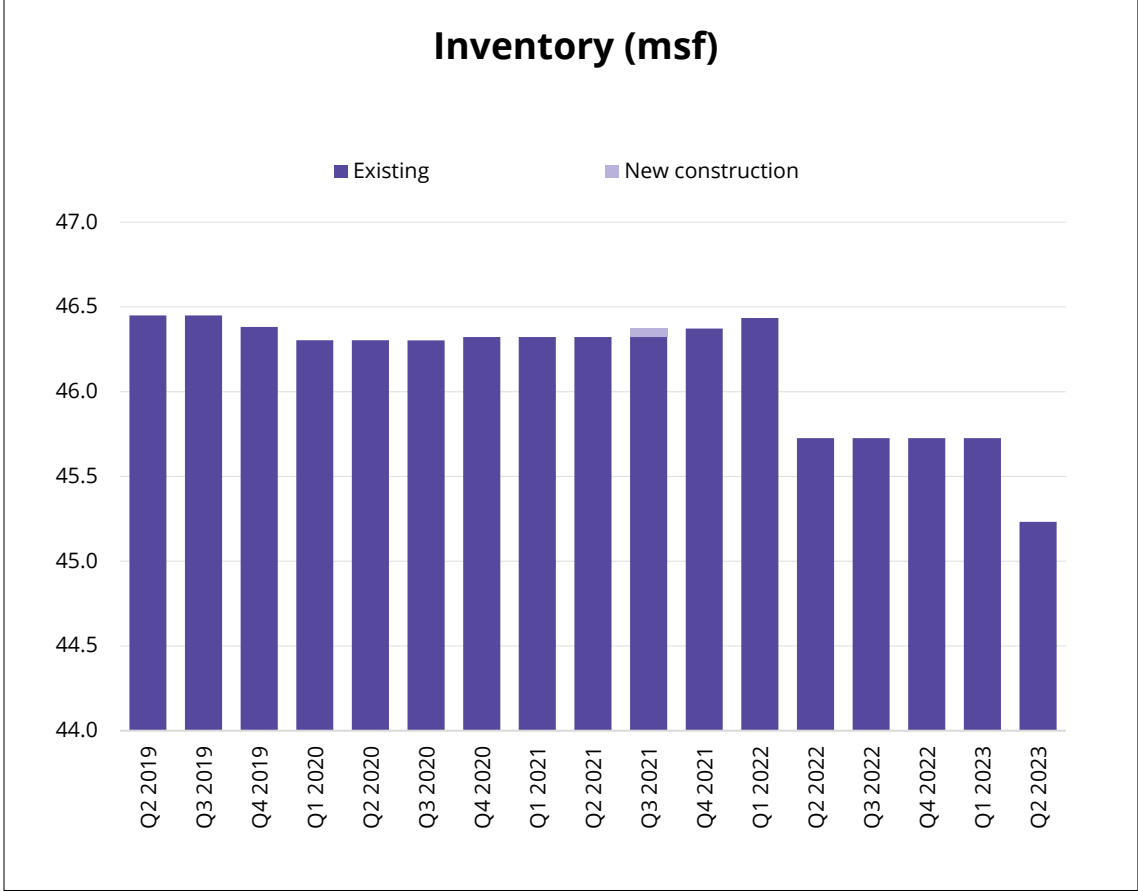
## 03

### Conversions enter next phase

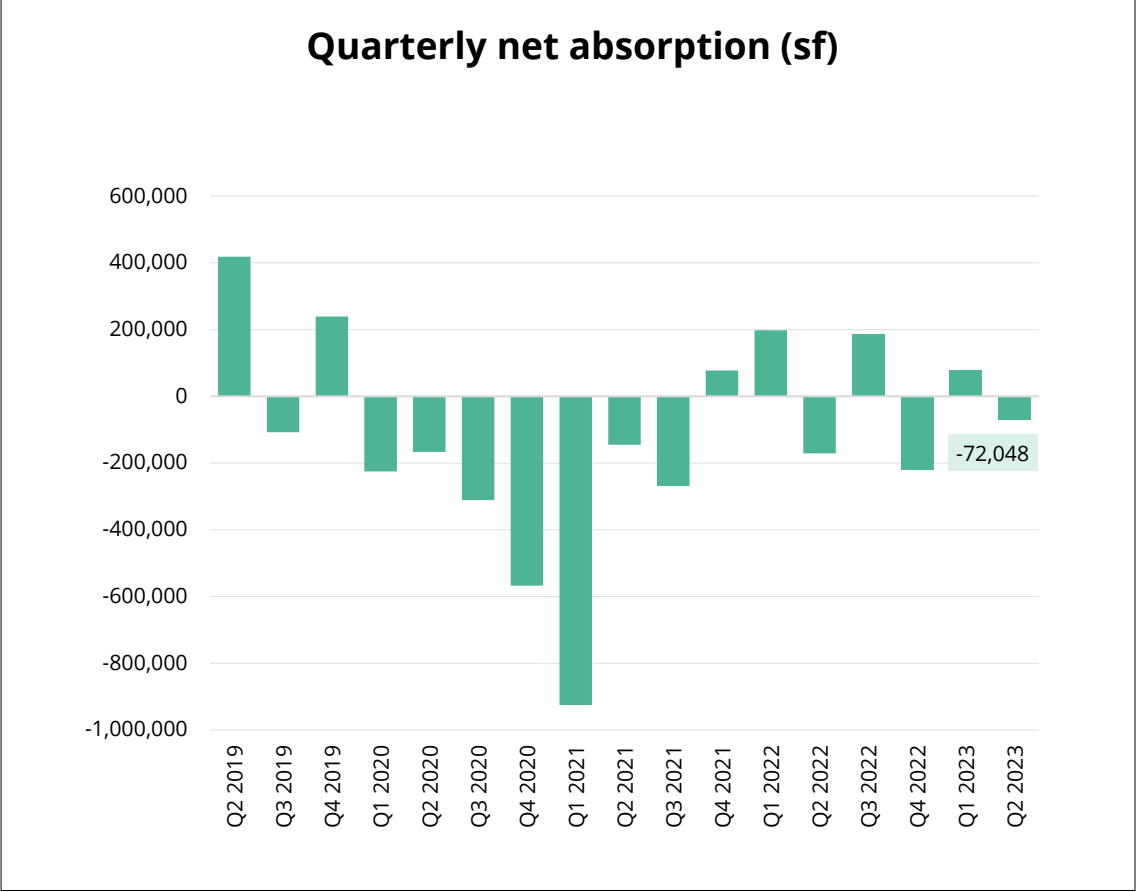
Phase 2 of the Downtown Development Incentive Program launched in the second quarter. It covers five buildings comprising 500,000 sf, bringing the total to 10 buildings and 1.1M sf. Several projects are already underway, some with aggressive occupancy timelines. The intent is to capitalize on the city's low rental availability and create downtown housing opportunities that didn't previously exist.



# Calgary downtown area office market indicators

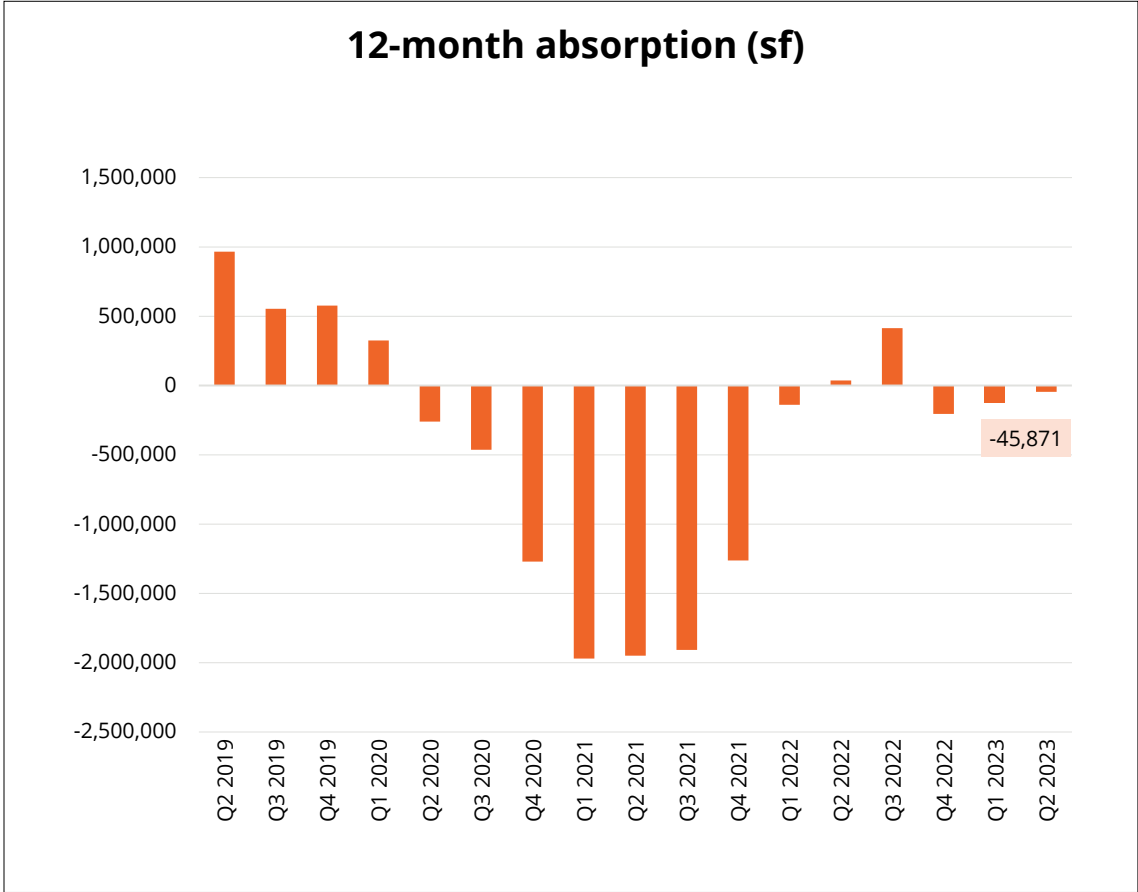


Source: AVANT by Avison Young

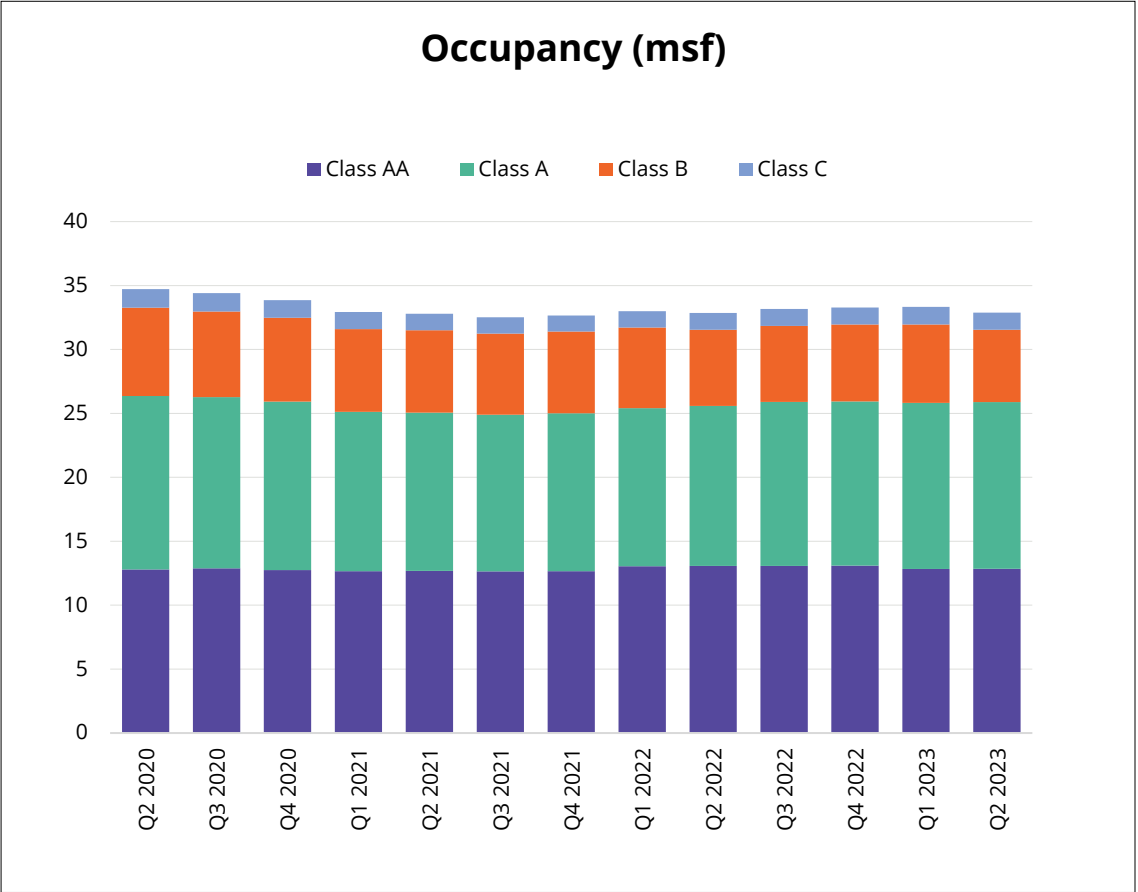


Source: AVANT by Avison Young

# Calgary downtown area office market indicators

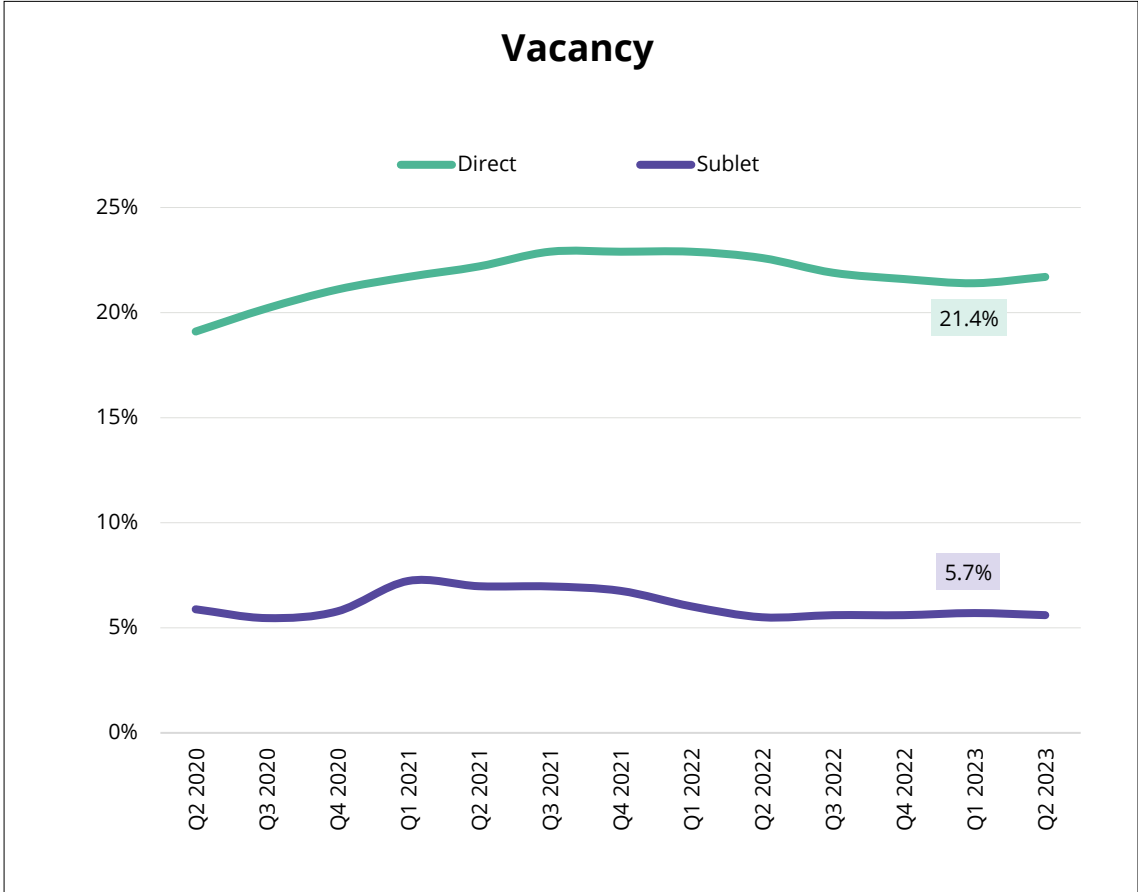


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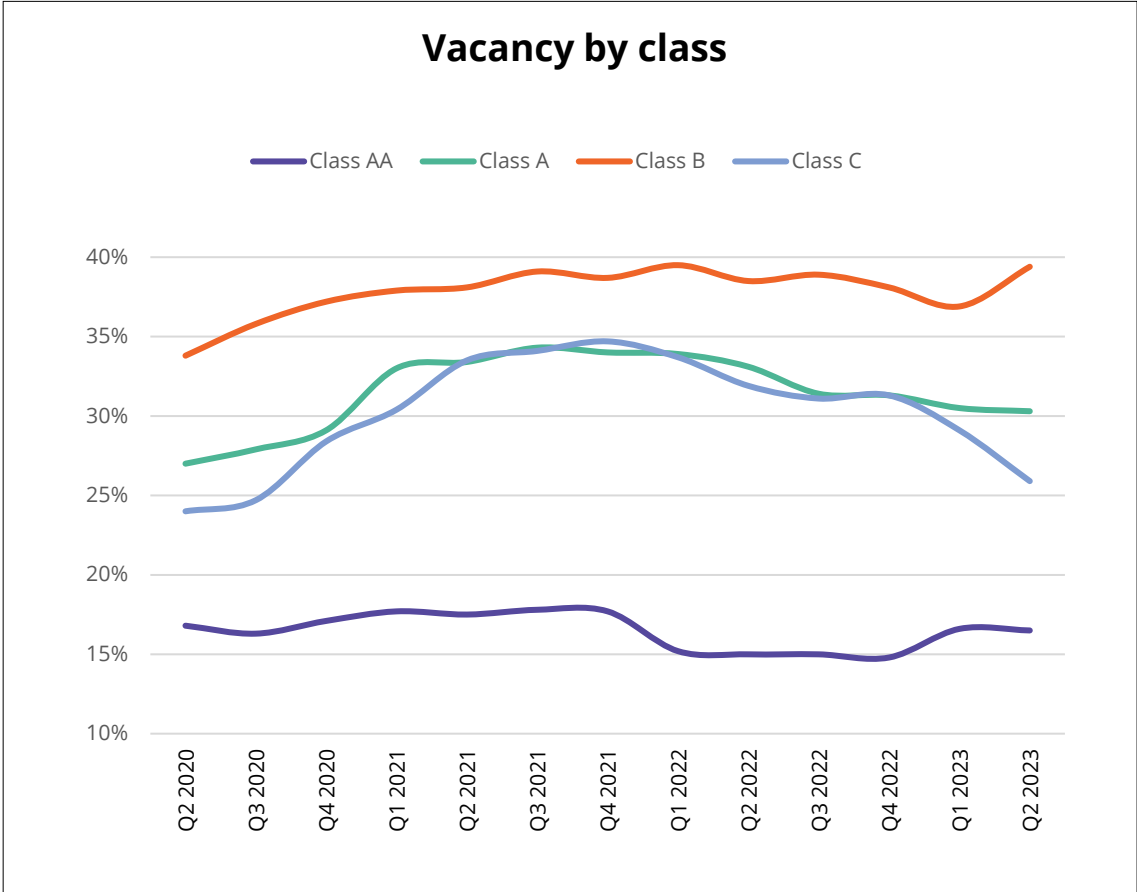


Source: AVANT by Avison Young

# Calgary downtown area office market indicators



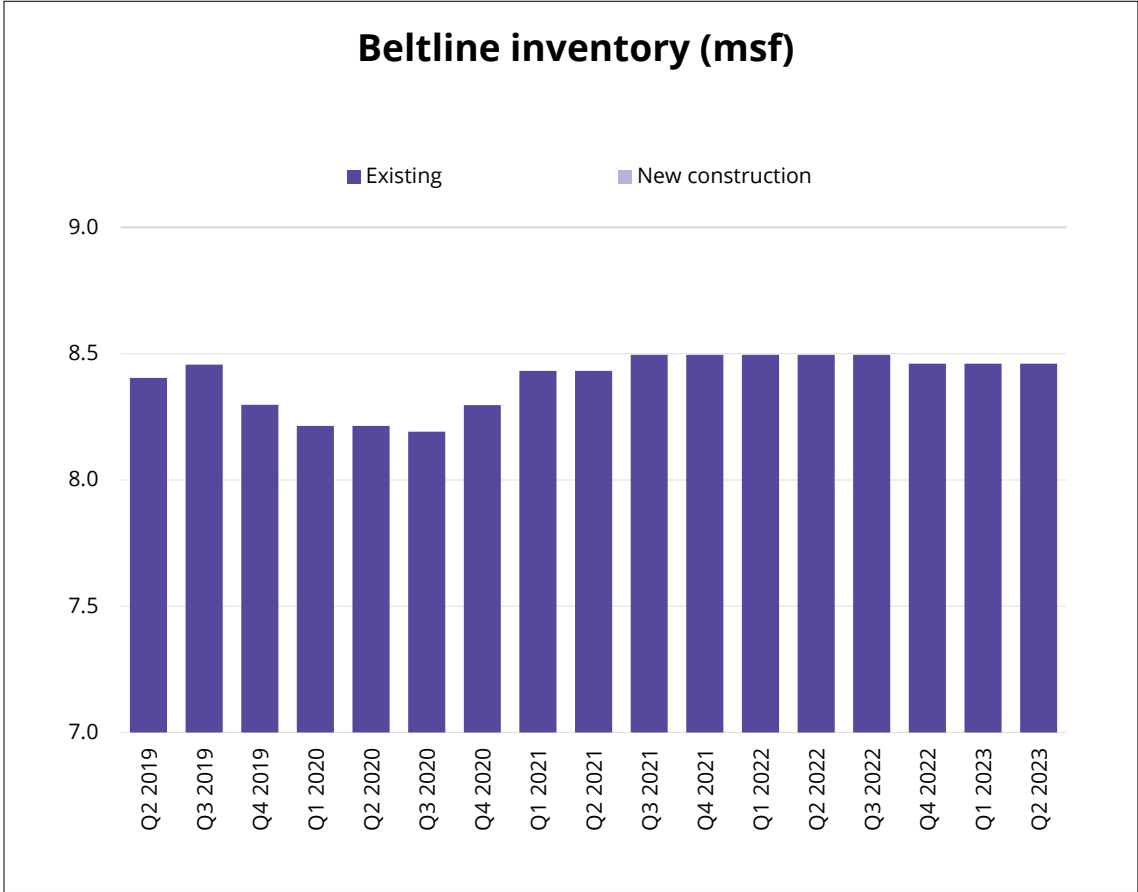
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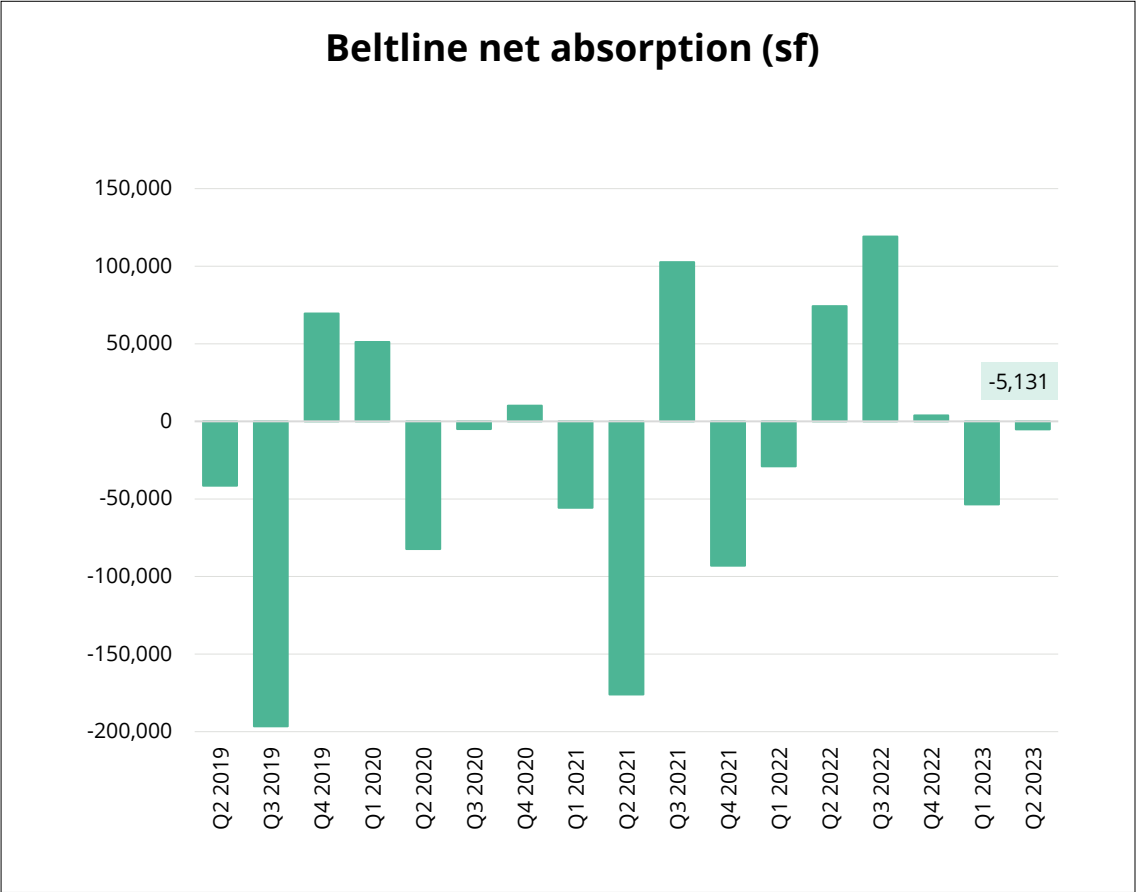
Source: AVANT by Avison Young



# Calgary Beltline and Suburban area office market indicators

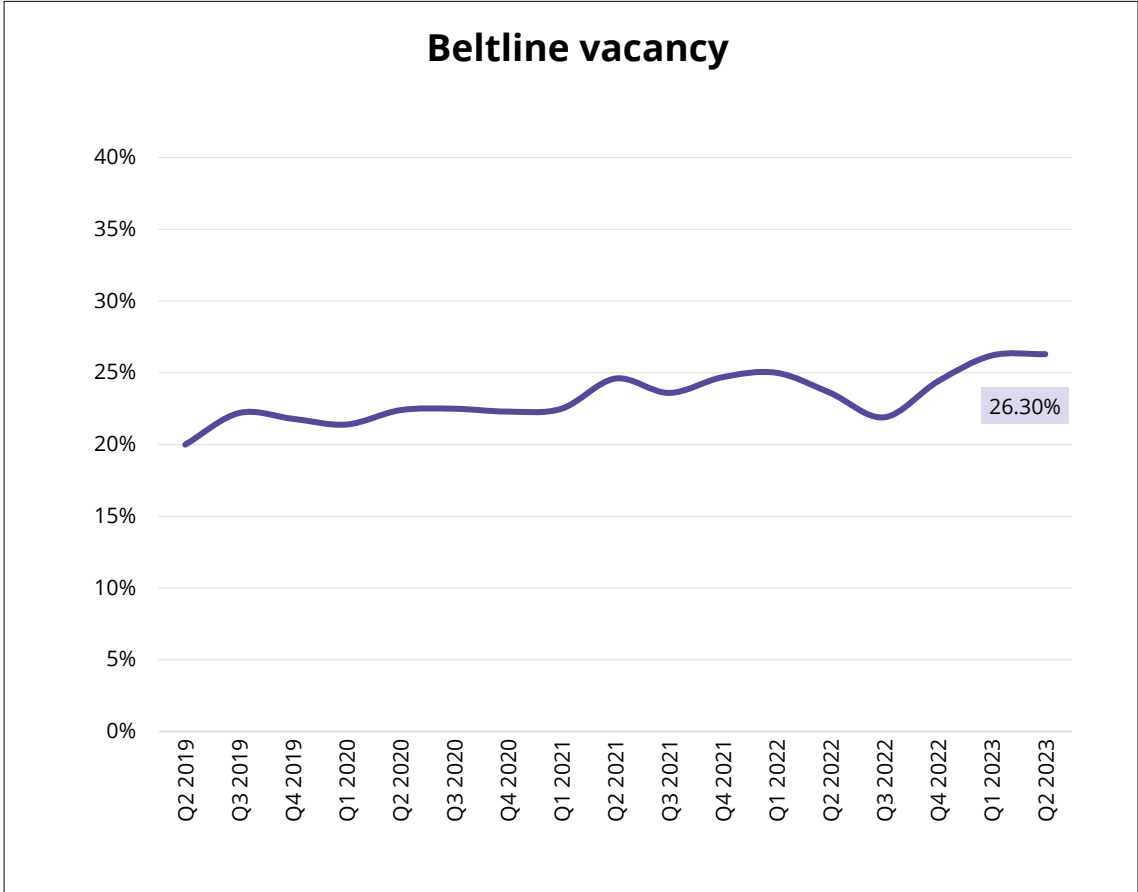


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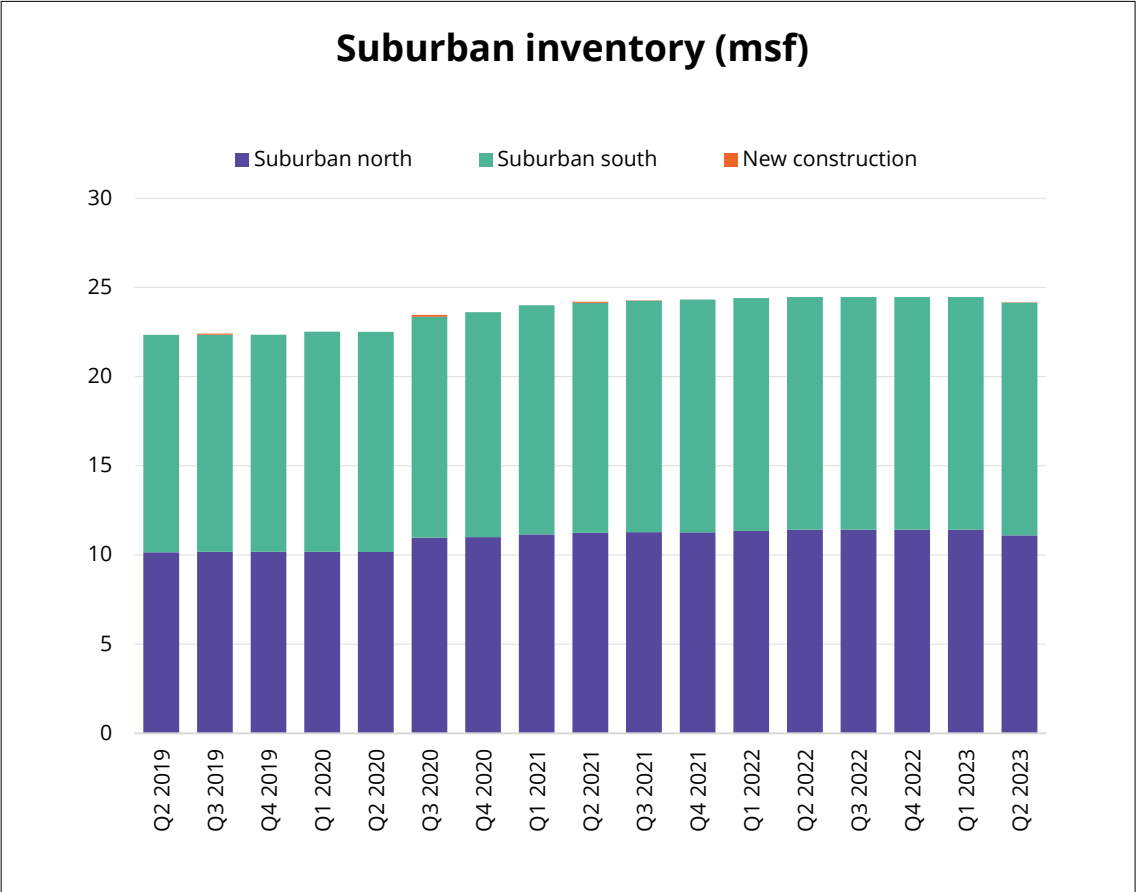


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# Calgary Beltline and Suburban area office market indicators

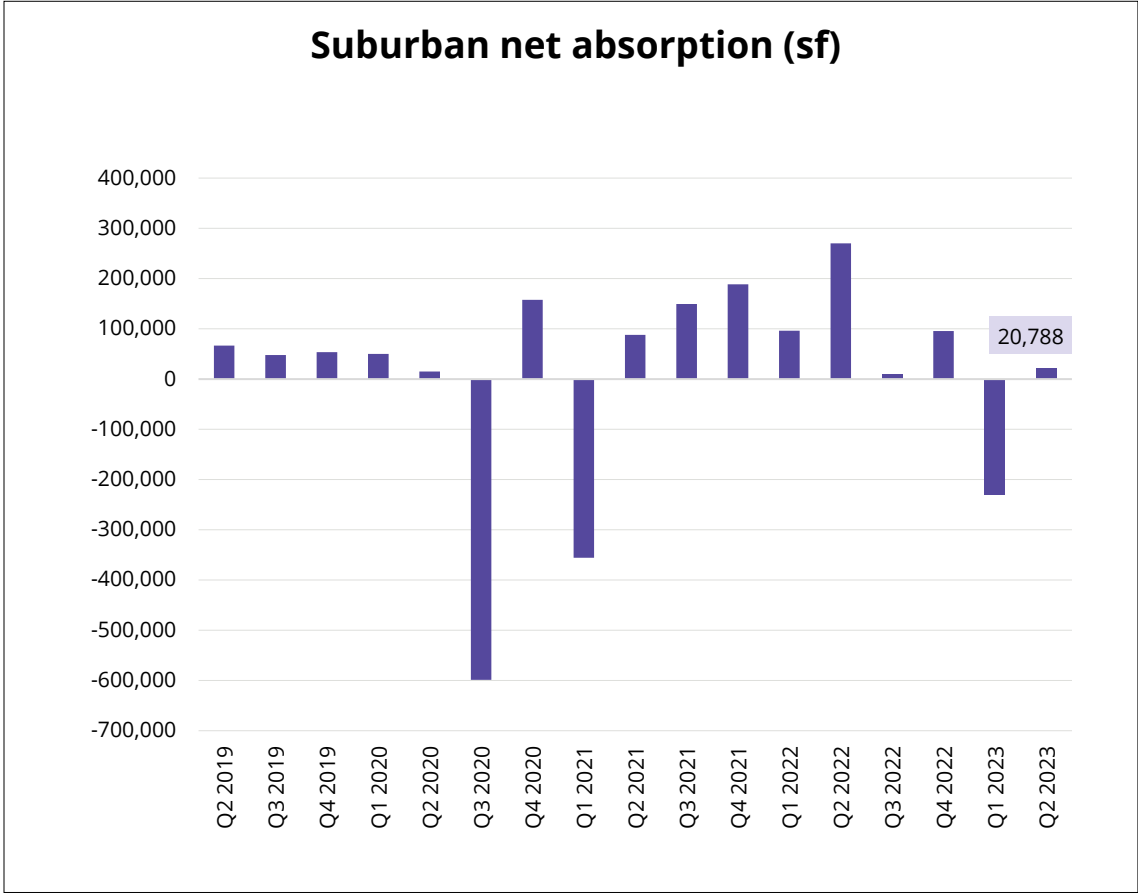


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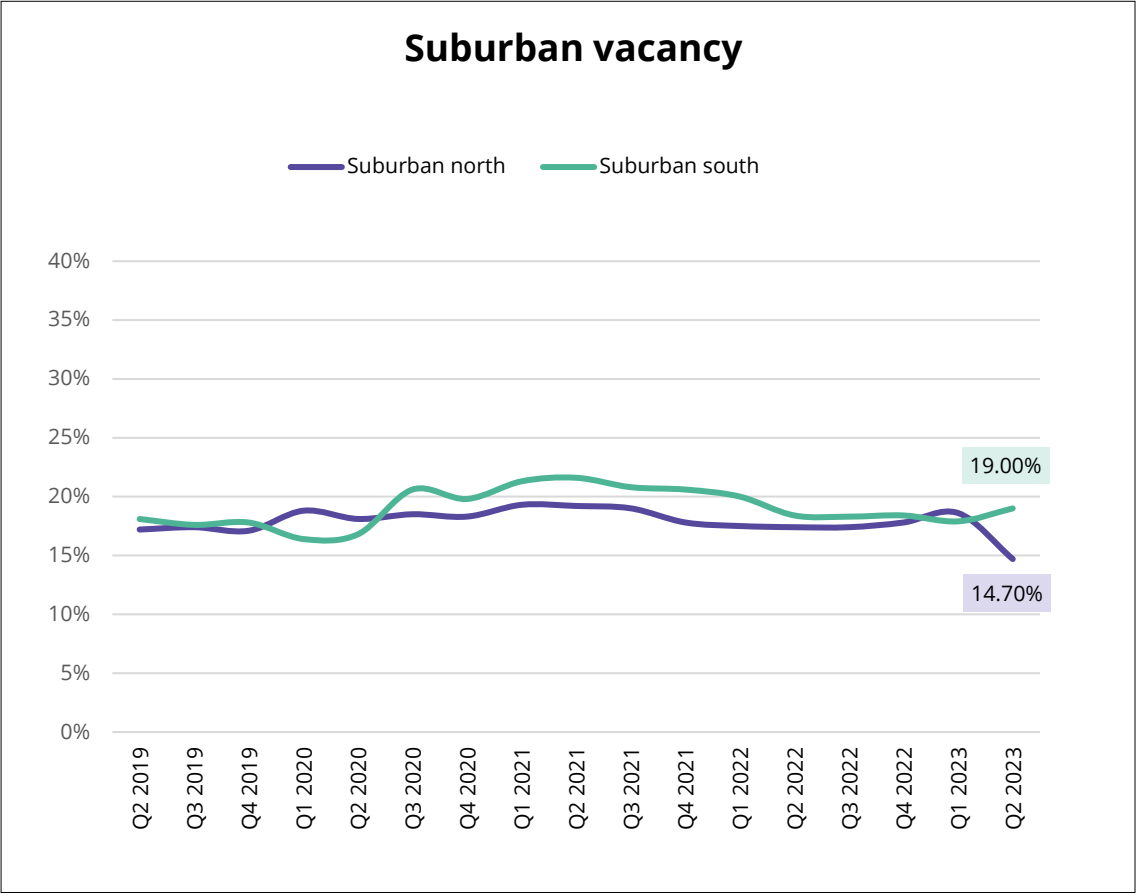


Source: AVANT by Avison Young

# Calgary Beltline and Suburban area office market indicators



Source: AVANT by Avison Young



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# Calgary area office market stats

	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>45,231,958</b>	<b>163</b>	<b>9,802,237</b>	<b>2,541,188</b>	<b>12,343,425</b>	<b>21.7%</b>	<b>5.6%</b>	<b>27.3%</b>	<b>32,888,533</b>	<b>-72,048</b>	<b>0</b>
Class AA	0	15,381,587	19	1,347,211	1,188,560	2,535,771	8.8%	7.7%	16.5%	12,845,816	18,099	0
Class A	0	18,699,645	52	4,483,699	1,177,612	5,661,311	24.0%	6.3%	30.3%	13,038,334	37,717	0
Class B	0	9,343,252	59	3,523,608	154,713	3,678,321	37.7%	1.7%	39.4%	5,664,931	-166,714	0
Class C	0	1,807,474	33	447,719	20,303	468,022	24.8%	1.1%	25.9%	1,339,452	38,850	0
<b>Beltline</b>	<b>0</b>	<b>8,460,631</b>	<b>119</b>	<b>1,943,712</b>	<b>278,214</b>	<b>2,221,926</b>	<b>23.0%</b>	<b>3.3%</b>	<b>26.3%</b>	<b>6,238,705</b>	<b>-5,131</b>	<b>0</b>
Class A	0	3,168,422	31	647,617	163,330	810,947	20.4%	5.2%	25.6%	2,357,475	12,033	0
Class B	0	3,627,251	61	1,041,031	84,843	1,125,874	28.7%	2.3%	31.0%	2,501,377	-21,129	0
Class C	0	1,664,958	27	255,064	30,041	285,105	15.3%	1.8%	17.1%	1,379,853	3,965	0
<b>Suburban North</b>	<b>24,690</b>	<b>11,096,555</b>	<b>185</b>	<b>1,364,118</b>	<b>270,420</b>	<b>1,634,538</b>	<b>12.3%</b>	<b>2.4%</b>	<b>14.7%</b>	<b>9,462,017</b>	<b>171,920</b>	<b>192,389</b>
Class A	24,690	6,605,961	89	817,313	240,730	1,058,043	12.4%	3.6%	16.0%	5,547,918	47,286	192,389
Class B	0	3,058,390	61	332,626	25,580	358,206	10.9%	0.8%	11.7%	2,700,184	71,328	0
Class C	0	1,432,204	35	214,179	4,110	218,289	15.0%	0.3%	15.2%	1,213,915	53,306	0
<b>Suburban Northeast</b>	<b>0</b>	<b>8,507,137</b>	<b>131</b>	<b>1,009,400</b>	<b>185,849</b>	<b>1,195,249</b>	<b>11.9%</b>	<b>2.2%</b>	<b>14.0%</b>	<b>7,311,888</b>	<b>205,706</b>	<b>0</b>
Class A	0	5,128,727	61	559,905	156,159	716,064	10.9%	3.0%	14.0%	4,412,663	88,016	0
Class B	0	2,220,493	43	266,723	25,580	292,303	12.0%	1.2%	13.2%	1,928,190	40,805	0
Class C	0	1,157,917	27	182,772	4,110	186,882	15.8%	0.4%	16.1%	971,035	76,885	0
<b>Suburban Northwest</b>	<b>24,690</b>	<b>2,589,418</b>	<b>53</b>	<b>354,718</b>	<b>84,571</b>	<b>439,289</b>	<b>13.7%</b>	<b>3.3%</b>	<b>17.0%</b>	<b>2,150,129</b>	<b>-111,621</b>	<b>192,389</b>
Class A	24,690	1,477,234	27	257,408	84,571	341,979	17.4%	5.7%	23.1%	1,135,255	-110,796	192,389
Class B	0	837,897	18	65,903	0	65,903	7.9%	0.0%	7.9%	771,994	8,331	0
Class C	0	274,287	8	31,407	0	31,407	11.5%	0.0%	11.5%	242,880	-9,156	0



# Calgary area office market stats

	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>Suburban South</b>	<b>0</b>	<b>13,048,822</b>	<b>187</b>	<b>2,295,386</b>	<b>185,092</b>	<b>2,480,478</b>	<b>17.6%</b>	<b>1.4%</b>	<b>19.0%</b>	<b>10,568,344</b>	<b>-151,132</b>	<b>0</b>
Class A	0	9,915,632	123	1,924,113	152,082	2,076,195	19.4%	1.5%	20.9%	7,839,437	-162,502	0
Class B	0	2,076,390	41	300,437	27,350	327,787	14.5%	1.3%	15.8%	1,748,603	6,365	0
Class C	0	1,056,800	23	70,836	3,586	74,422	6.7%	0.3%	7.0%	982,378	5,005	0
<b>Suburban Southeast</b>	<b>0</b>	<b>8,929,166</b>	<b>132</b>	<b>1,702,094</b>	<b>135,627</b>	<b>1,837,721</b>	<b>19.1%</b>	<b>1.5%</b>	<b>20.6%</b>	<b>7,091,445</b>	<b>-538</b>	<b>0</b>
Class A	0	6,972,462	89	1,511,720	116,504	1,628,224	21.7%	1.7%	23.4%	5,344,238	-21,561	0
Class B	0	1,089,083	25	124,449	15,537	139,986	11.4%	1.4%	12.9%	949,097	13,495	0
Class C	0	867,621	18	65,925	3,586	69,511	7.6%	0.4%	8.0%	798,110	7,528	0
<b>Suburban Southwest</b>	<b>0</b>	<b>4,119,656</b>	<b>55</b>	<b>590,773</b>	<b>49,465</b>	<b>640,238</b>	<b>14.3%</b>	<b>1.2%</b>	<b>15.5%</b>	<b>3,479,418</b>	<b>93,801</b>	<b>0</b>
Class A	0	2,943,170	34	412,393	35,578	447,971	14.0%	1.2%	15.2%	2,495,199	55,695	0
Class B	0	987,307	16	173,469	11,813	185,282	17.6%	1.2%	18.8%	802,025	41,289	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>24,690</b>	<b>24,145,377</b>	<b>371</b>	<b>3,656,985</b>	<b>455,512</b>	<b>4,112,497</b>	<b>15.1%</b>	<b>1.9%</b>	<b>17.0%</b>	<b>20,032,880</b>	<b>20,788</b>	<b>192,389</b>
Class A	24,690	16,521,593	212	2,741,426	392,812	3,134,238	16.6%	2.4%	19.0%	13,387,355	-115,216	192,389
Class B	0	5,134,780	102	633,063	52,930	685,993	12.3%	1.0%	13.4%	4,448,787	77,693	0
Class C	0	2,489,004	58	285,015	7,696	292,711	11.5%	0.3%	11.8%	2,196,293	58,311	0
<b>Calgary total</b>	<b>24,690</b>	<b>77,837,966</b>	<b>654</b>	<b>15,405,453</b>	<b>3,274,914</b>	<b>18,680,367</b>	<b>19.8%</b>	<b>4.2%</b>	<b>24.0%</b>	<b>59,157,599</b>	<b>-56,391</b>	<b>192,389</b>
Class AA & A	24,690	53,771,247	314	9,219,953	2,922,314	12,142,267	17.1%	5.4%	22.6%	41,628,980	-47,367	192,389
Class B	0	18,105,283	222	5,197,702	292,486	5,490,188	28.7%	1.6%	30.3%	12,615,095	-110,150	0
Class C	0	5,961,436	118	987,798	58,040	1,045,838	16.6%	1.0%	17.5%	4,915,598	101,126	0

For more market insights  
and information visit  
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