



Calgary office market report

Q1 2024

**AVISON
YOUNG**

Notable gains for office market in Q1 2024

Positive absorption in Downtown and Beltline bolstered Calgary's office market in the first quarter of the year. Meanwhile, a down quarter in suburban markets breaks a year long trend of positive absorption.

25.9%

Downtown vacancy rate
down 1.2% from
Q1 2023

23.3%

Beltline vacancy rate
down 2.9% from
Q1 2023

16.1%

Suburban vacancy rate
down 2.1% from
Q1 2023

22.5%

Overall vacancy rate
down 1.7% from
Q1 2023

Downtown, beltline, and suburban markets

Strong absorption in downtown as energy sector moves announced

Vacancy in downtown Calgary dropped by 1.0% from the previous quarter. Contributing to this was a strong quarter of absorption, amounting to 494,659 square feet (sf), bolstered by activity announced by CNRL, AltaGas, and South Bow Corporation. CNRL's move to the former Shell Centre will leave a shadow vacancy in the market that will be realized in a future quarter. Overall downtown annual absorption has remained positive for the past two years, a testament to both the return to office movement and Calgary's economic resilience. While positive news for the city, challenges remain, including energy sector consolidation, staff reductions, and the weight of a large amount of class B office inventory.

Movement in the Beltline after stagnant year

The Beltline saw 131,166 sf of absorption and a 1.5% decrease in vacancy. Activity in the Beltline had stagnated through most of the past year. Buildings, such as the newly renovated 909/911 11th Avenue, contributed to positive leasing activity in Q1. Despite the positive results, vacancy remains elevated across all classes in the Beltline.

Suburban streak broken

Overall absorption was negative in the suburbs at -115,733 sf. While Q1 results showed a decline, the suburban market had been on a positive absorption streak for the previous three quarters. Additionally, 10 out of the last 12 quarters have recorded positive absorption.

Overall market growth for three straight quarters

Calgary's overall office market has seen positive absorption activity for three consecutive quarters. Overall vacancy has dropped 1.7% from this time last year. New office construction remains limited in volume scope and is only occurring in suburban submarkets. Major projects include UXBorough Medical Centre and Greenwich Village.

Calgary area office market trends

01

Availability limitations depending on needs

Large blocks of premium, well-located space in downtown Calgary remain limited to only a handful of properties. The current vacancy for AA office in the central core is 10.9%. This is reduced further to 6.2% when looking at large blocks of contiguous space. A company with a large footprint looking to relocate to the central core of downtown may find very few options that suit their needs.

On top of this, the gap is widening between class A buildings that have modernized in recent years and those that haven't. Vacancy in the central core sits at 8.5% for class A buildings that are undergoing or have undergone capital improvements in the past three years.

Large suburban tenants of approximately 40,000 sf and up may find similar challenges to downtown. For a class A tenant in the suburbs, contiguous block vacancy is at 7.5%.

02

Rental rates coming into balance

Overall asking rates have seen slow incremental increases as demand returned post-COVID. This is coupled with the effects of inflation on operating costs. While the inflation rate has slowed in the first few months of 2024, elevated prices will continue to affect the market. Should this happen, the pace of rental increases is likely to slow in the AA and A markets downtown as we approach historic median levels of rental rates. Rental rates in the Beltline and suburbs have more room for recovery as asking rates remain below pre-COVID levels.

03

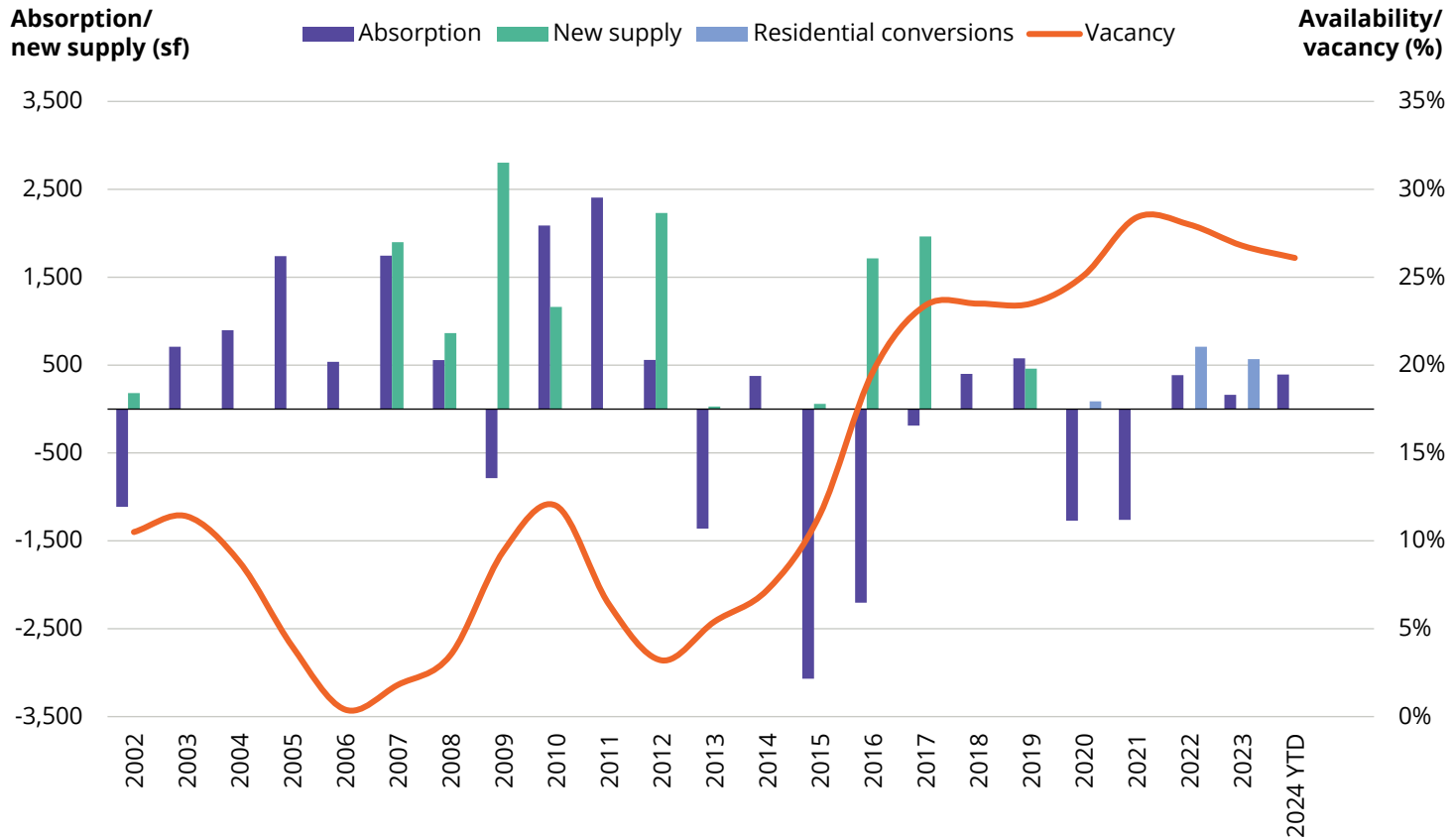
Next round of residential conversions on the horizon

Calgary's Development Incentive Program paused its application intake in Q4 2023 to due robust demand. It is anticipated that the next round of funding for the program will go forward in 2024. Several buildings are currently under review and the market will be anticipating their announcement.

Alberta led the nation in population growth in 2023 with approximately 200,000 newcomers. While a boon for Calgary's economic future, the pressure on our strained housing market will only increase, emphasizing the need for the conversion program to continue.

Downtown Calgary office market indicators

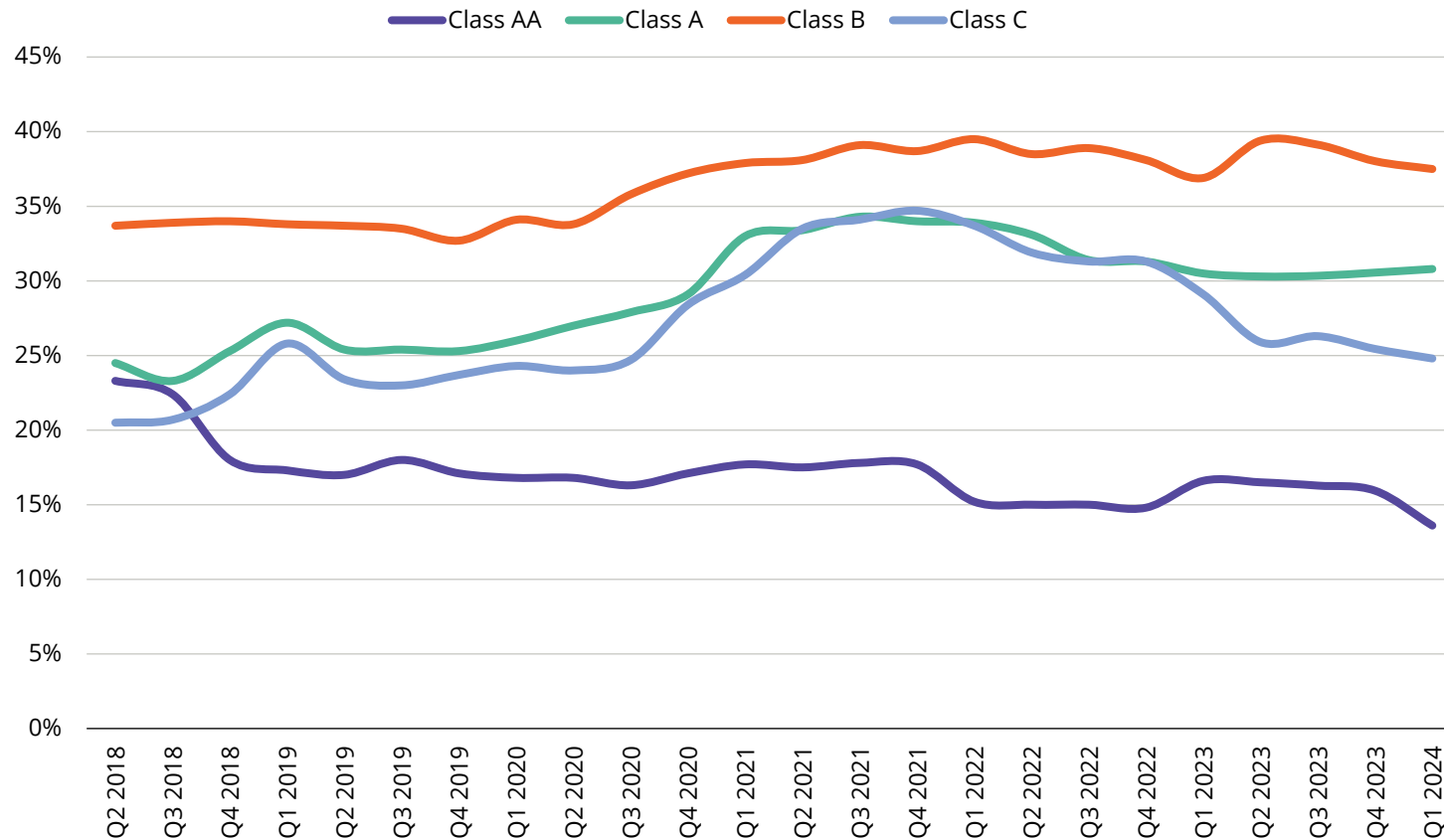
Historic office market trends



Two years of positive annual absorption and residential conversions have brought the downtown vacancy rate down from a historic high.

Downtown vacancy (by class)

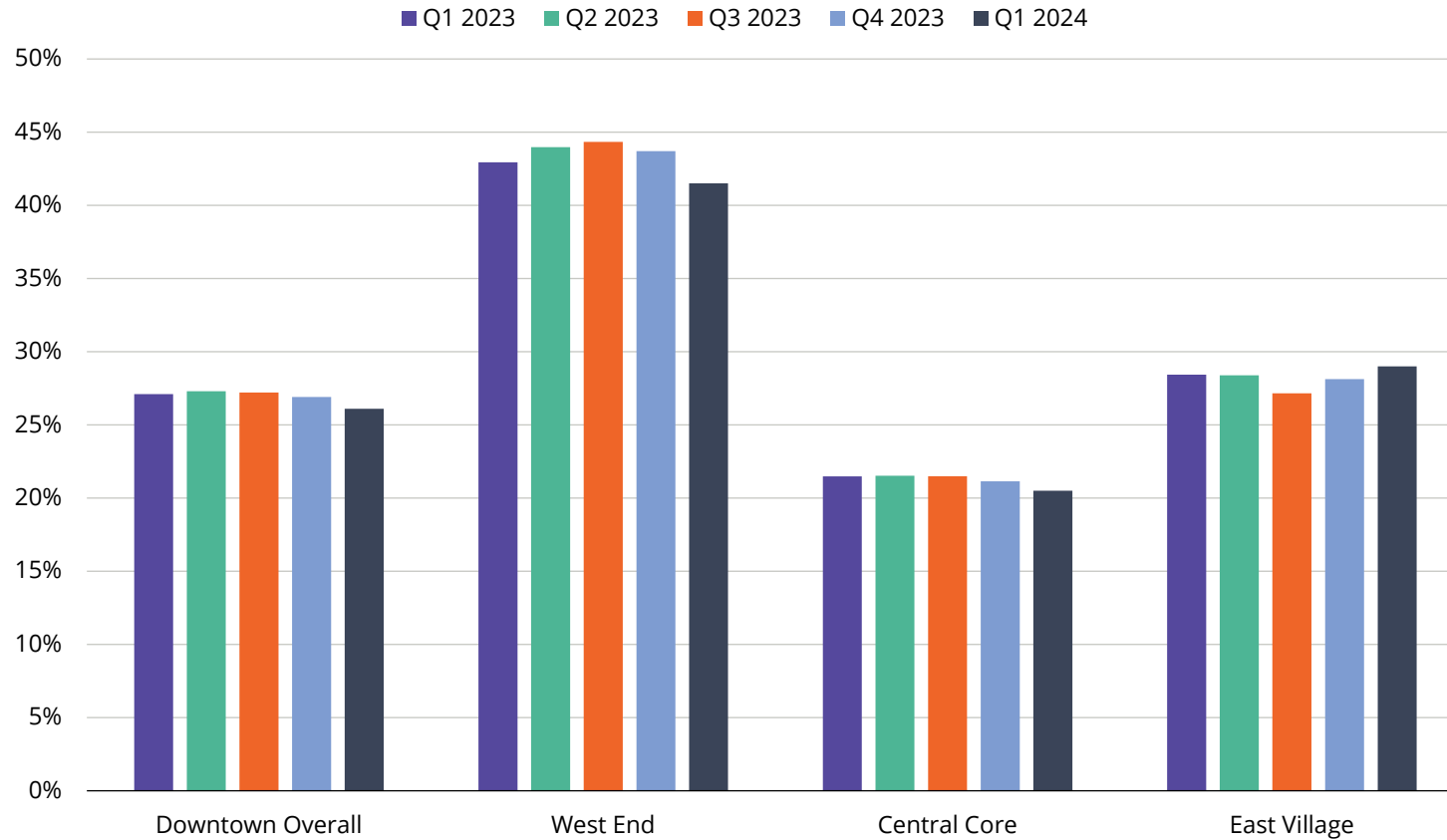
Vacancy rate by class in percent



Vacancy remains highest in class B office, while AA class has fallen to 13.6%

Downtown by micromarket

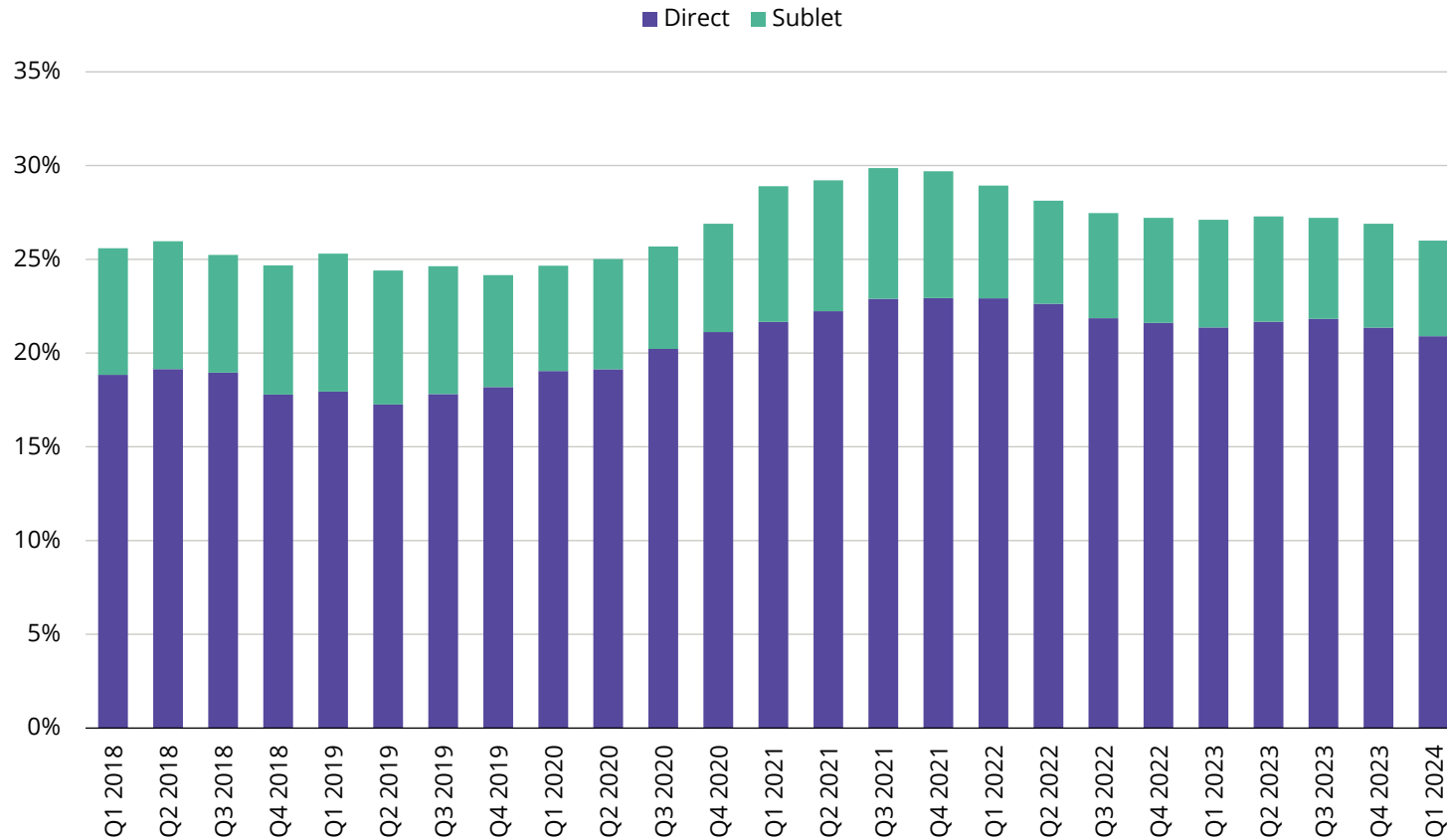
Vacancy rate by micromarket



Vacancy in the central core remains a stark contrast to the remainder of downtown.

Downtown office market indicators

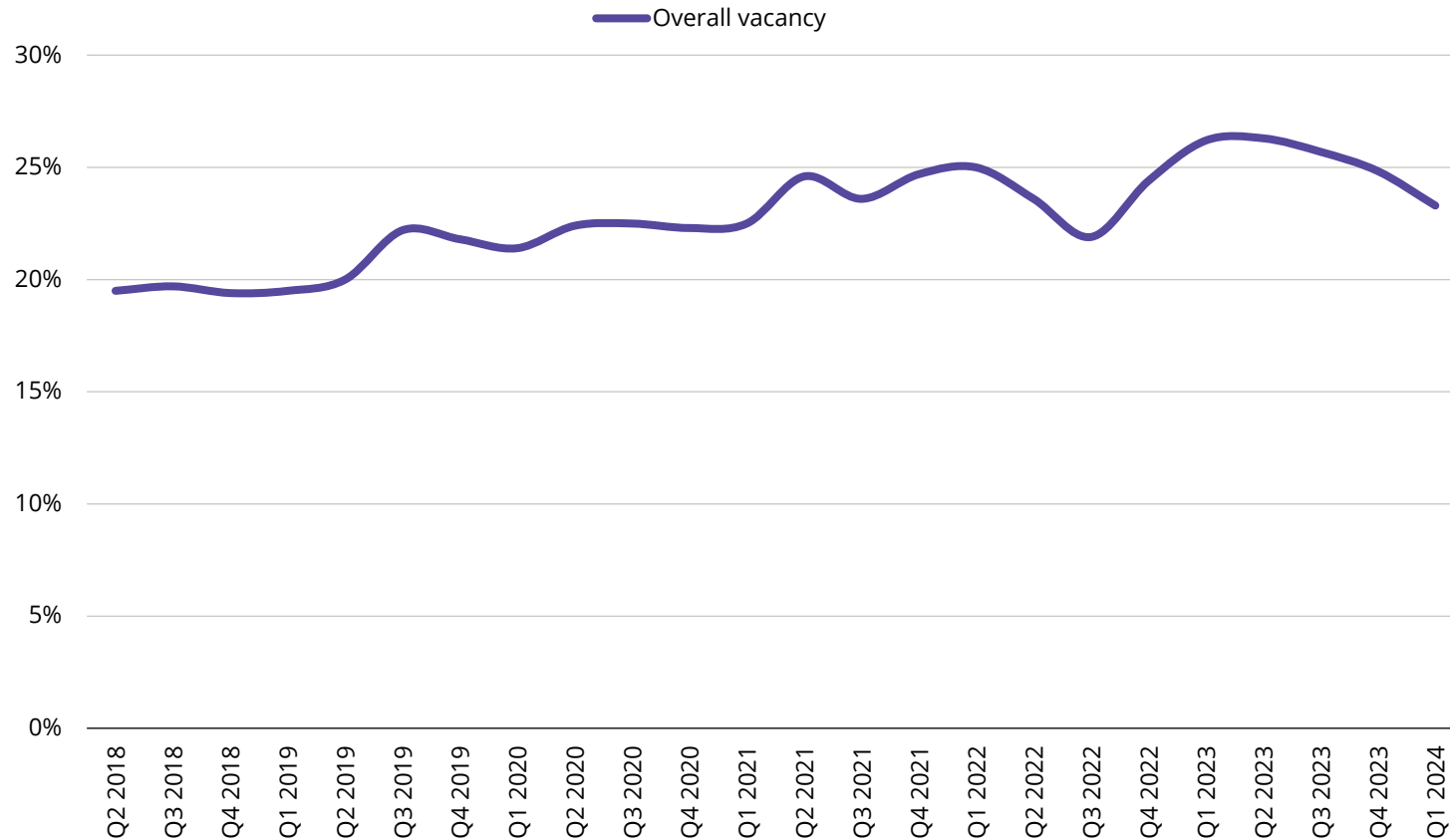
Direct and sublet vacancy in percent



**Sublease
vacancy has
remained low,
currently sitting
at 5.1%.**

Beltline vacancy

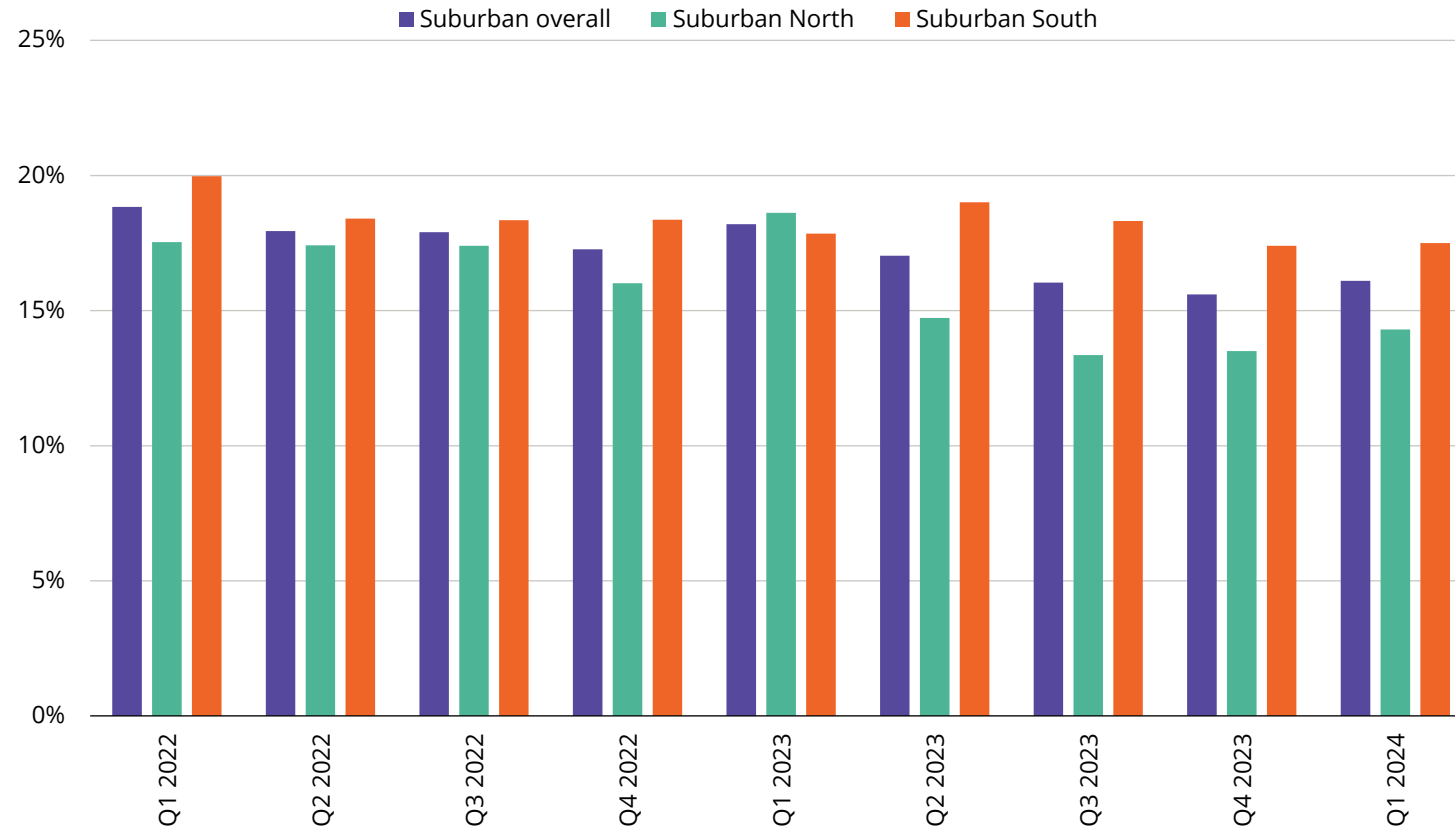
Vacancy rate in percent



**Leasing activity
picked up in the
Beltline,
bringing
vacancy down
below 25%**

Suburban vacancy

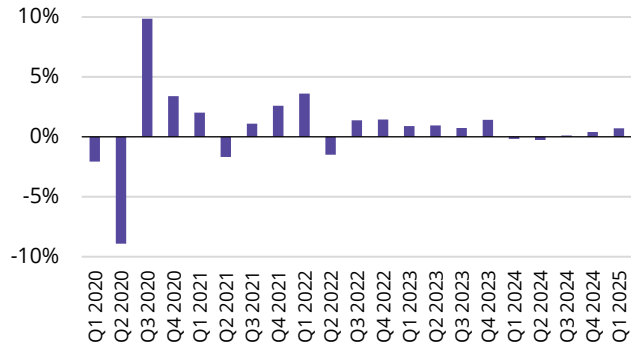
Vacancy rate in percent



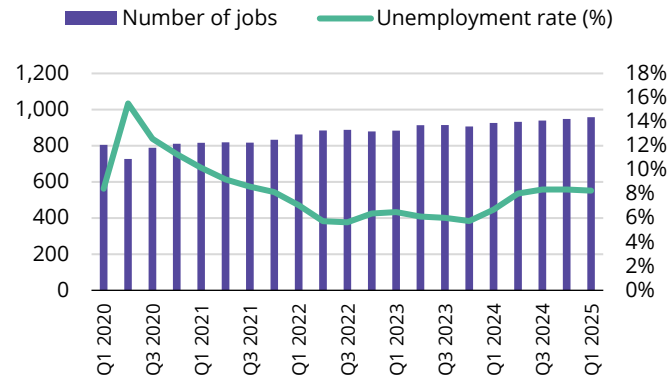
Suburban vacancy ticked upwards in Q1 after several consistent quarters of decline.

Calgary economic snapshot

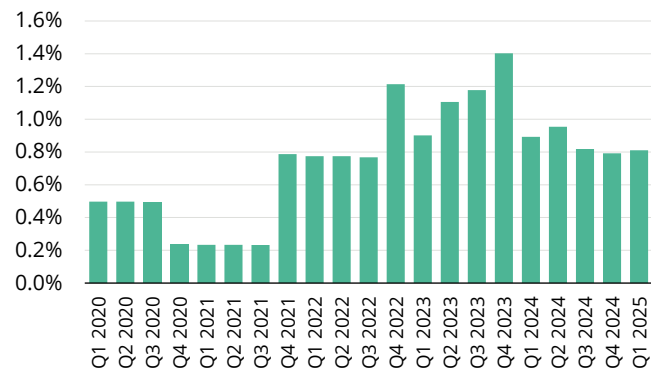
GDP growth (%)



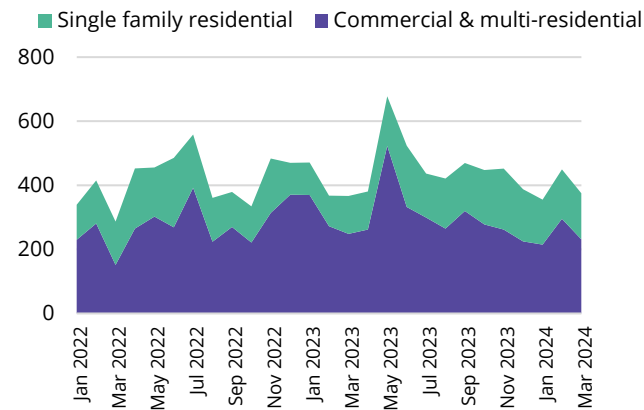
Employment growth (000 and %)



Population growth (%)



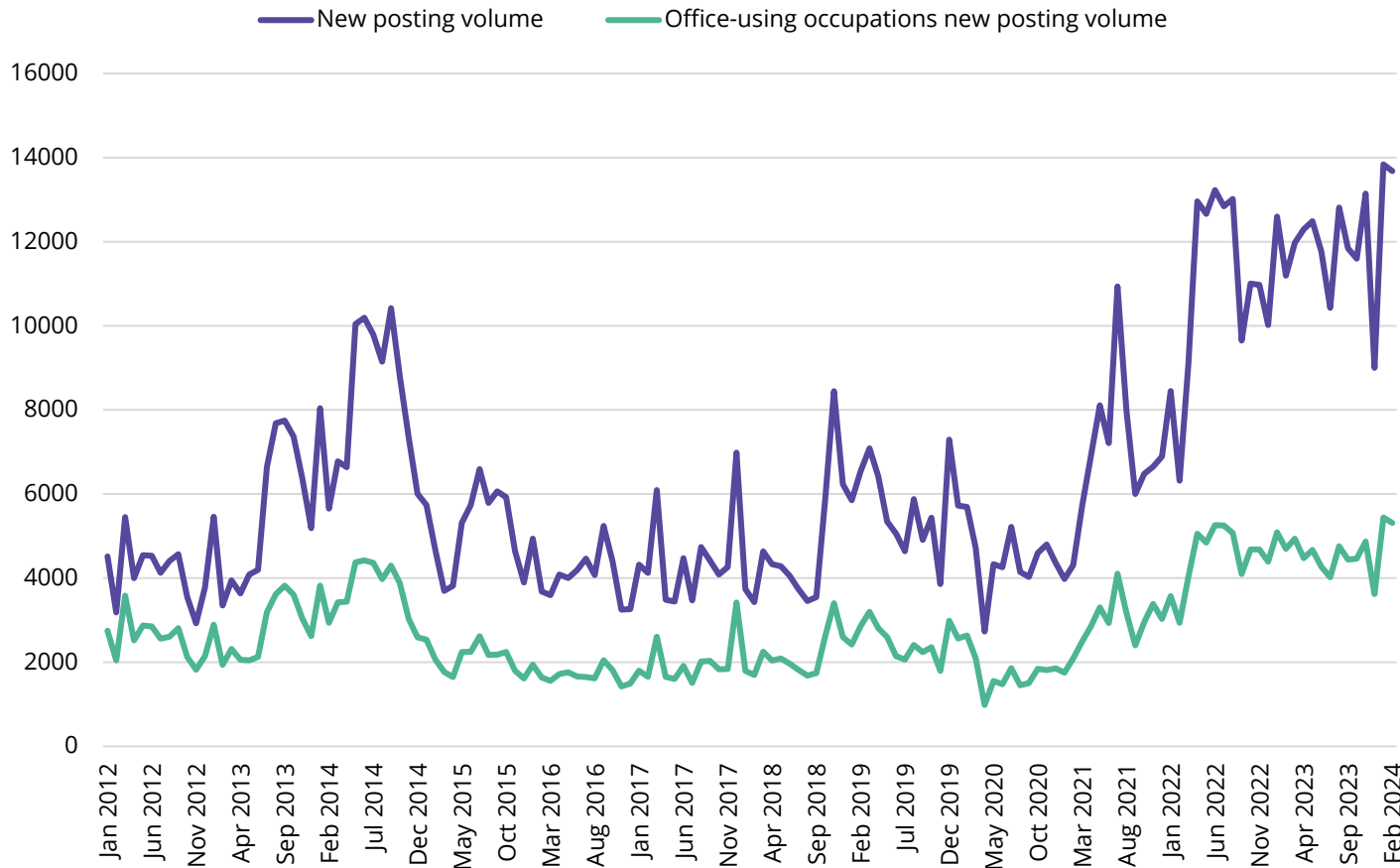
Investment in construction (millions \$)



GDP growth will follow a slow and steady recovery in 2024. Meanwhile, the population influx will present many challenges and opportunities.

Calgary job postings

New job posting in relation to office specific jobs



Calgary continues to see a steady rise in job posting volumes as Alberta gains record volumes of new migrants.

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)
Downtown		0	45,138,878	162	9,350,335	2,322,709	11,673,044	20.7%	5.1%	25.9%	33,465,834	494,659	0
	Class AA	0	15,381,587	19	1,064,550	1,033,309	2,097,859	6.9%	6.7%	13.6%	13,283,728	353,618	0
	Class A	0	18,699,645	52	4,517,965	1,141,009	5,658,974	24.2%	6.1%	30.3%	13,040,671	80,085	0
	Class B	0	9,250,172	58	3,342,356	126,083	3,468,439	36.1%	1.4%	37.5%	5,781,733	48,922	0
	Class C	0	1,807,474	33	425,464	22,308	447,772	23.5%	1.2%	24.8%	1,359,702	12,034	0
Beltline		0	8,460,631	119	1,788,346	181,626	1,969,972	21.1%	2.1%	23.3%	6,490,659	131,166	0
	Class A	0	3,168,422	31	643,112	88,468	731,580	20.3%	2.8%	23.1%	2,436,842	63,699	0
	Class B	0	3,627,251	61	925,529	90,524	1,016,053	25.5%	2.5%	28.0%	2,611,198	63,740	0
	Class C	0	1,664,958	27	219,705	2,634	222,339	13.2%	0.2%	13.4%	1,442,619	3,727	0
Suburban North		0	11,096,555	185	1,449,263	140,521	1,589,784	13.1%	1.3%	14.3%	9,506,771	-96,016	192,389
	Class A	0	6,605,961	89	950,149	114,941	1,065,090	14.4%	1.7%	16.1%	5,540,871	-162,917	192,389
	Class B	0	3,058,390	61	291,614	25,580	317,194	9.5%	0.8%	10.4%	2,741,196	62,692	0
	Class C	0	1,432,204	35	207,500	0	207,500	14.5%	0.0%	14.5%	1,224,704	4,209	0
Suburban South		0	13,048,822	187	2,151,092	137,284	2,288,376	16.5%	1.1%	17.5%	10,760,446	-19,717	0
	Class A	0	9,915,632	123	1,772,203	118,243	1,890,446	17.9%	1.2%	19.1%	8,025,186	-14,157	0
	Class B	0	2,076,390	41	302,901	11,215	314,116	14.6%	0.5%	15.1%	1,762,274	-7,376	0
	Class C	0	1,056,800	23	75,988	7,826	83,814	7.2%	0.7%	7.9%	972,986	1,816	0
Calgary total		0	77,744,886	653	14,739,036	2,782,140	17,521,176	19.0%	3.6%	22.5%	60,223,710	510,092	192,389
	Class A	0	53,771,247	314	8,947,979	2,495,970	11,443,949	16.6%	4.6%	21.3%	42,327,298	320,328	192,389
	Class B	0	18,012,203	221	4,862,400	253,402	5,115,802	27.0%	1.4%	28.4%	12,896,401	167,978	0
	Class C	0	5,961,436	118	928,657	32,768	961,425	15.6%	0.5%	16.1%	5,000,011	21,786	0

For more market insights and information visit **avisonyoung.ca**

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