

# MARKETBEAT CALGARY



Office Q2 2021

YoY Chg      12-Mo. Forecast

**25.9%**  
Vacancy Rate



**-905K**  
Net Abs. YTD, SF



**\$15.18**  
Net Asking Rent, PSF



(Overall, All Property Classes)

## ECONOMIC INDICATORS Q2 2021

YoY Chg      12-Mo. Forecast

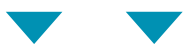
**804K**  
Calgary, AB  
Employment



**9.2%**  
Calgary, AB  
Unemployment Rate



**7.8%**  
Canadian  
Unemployment Rate



Source: Statistics Canada

## ECONOMY: Economy Continues its Path to Recovery

Calgary continued its road to economic recovery in the second quarter of 2021. The traditional office-using sectors of finance, insurance, and real estate added 8,600 net new jobs since June 2020 and within the same time-frame, the professional, scientific, and technical services sector also added 10,900 net new jobs to the Calgary economy. While the energy sector also recorded job growth (4,900 net new jobs since June 2020), it is not expected to immediately impact the city's high availability rate, as energy companies continued to consolidate their tenancies and reduce their real estate footprints.

## DEMAND: Consolidations and Downsizes Defined the Market

The second quarter of 2021 was marked by numerous consolidations and downsizings, particularly in the energy and telecom sectors. As tenants decreased their real estate footprints, overall net absorption for the quarter registered negative 783,537 square feet (sf). The largest move out of the quarter was TC Energy vacating approximately 115,000 sf at First Tower to consolidate its employees at TC Energy Tower. Additionally, the coworking company WeWork announced the immediate closure of its location at The Edison, vacating 65,780 sf and consolidating its members to the company's Stephen Avenue Place location.

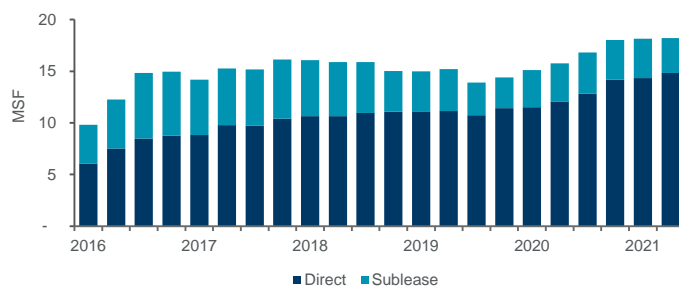
Despite the substantial negative net absorption, the overall vacancy rate closed the second quarter of 2021 at 25.9% as a result of several office buildings coming offline. As owners looking to combat record-high availability announced conversions of their inventory to affordable housing, hotels, and even self-storage facilities, downtown office inventory has decreased by 261,775 sf since the first quarter of 2021.

Softer market fundamentals also carried over to new leasing activity, which totaled 653,881 sf at the close of the second quarter – a decline of 6.3% year-over-year (YOY). However, the suburban markets registered stronger new leasing activity throughout the second quarter of 2021 – capturing 32.3% of the overall activity for the quarter and registering a 22.9% increase YOY as smaller tenants capitalized on favourable market conditions. Landlords of Class B and C spaces continued to battle flight-to-quality, as demand for Class A space remained strong. Overall, Class A accounted for 62.9% of the total leasing activity in the second quarter of 2021.

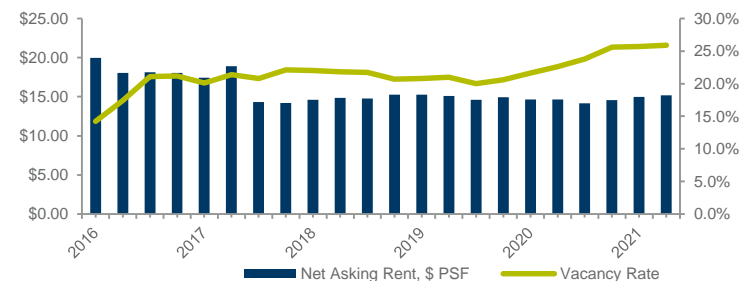
## PRICING: Overall Asking Rates Remain Stable

Landlords continued to offer inducements and flexible lease terms throughout the second quarter of 2021 in an effort to continue to hold face rates as current rates. Overall net rents recorded a modest quarter-over-quarter increase of \$0.19 per square foot (psf) closing the second quarter of 2021 at \$15.18 psf; the result of higher-priced space coming online, and lower-cost availability being leased – particularly in the suburban markets.

## DIRECT VS. SUBLEASE SPACE AVAILABILITY COMPARISON



## OVERALL VACANCY & ASKING NET RENT



## MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	FUTURE AVAILABILITY RATE**	CURRENT QTR OVERALL NET ABSORPTION	YTD OVERALL ABSORPTION (SF)	YTD LEASING ACTIVITY (SF)	UNDER CNSTR (SF)	OVERALL AVG ASKING RENT (ALL CLASSES)*	OVERALL AVG ASKING RENT (CLASS A)*
Central Core	20,830,027	1,503,123	3,588,388	24.4%	27.0%	-175,272	-298,984	400,379	0	\$14.23	\$17.41
East Core	16,243,199	964,889	3,234,255	25.9%	26.5%	-387,972	-297,102	99,258	0	\$18.10	\$18.98
West Core	7,152,128	259,112	2,948,748	44.9%	55.4%	24,909	-72,738	154,907	0	\$11.34	\$14.72
<b>DOWNTOWN SUBTOTAL</b>	<b>44,225,354</b>	<b>2,727,124</b>	<b>9,771,391</b>	<b>28.3%</b>	<b>31.4%</b>	<b>-538,335</b>	<b>-668,824</b>	<b>777,901</b>	<b>0</b>	<b>\$14.81</b>	<b>\$17.05</b>
Beltline	6,544,984	224,941	1,402,005	24.9%	31.2%	-74,335	-88,627	126,435	0	\$13.24	\$14.81
<b>TOTAL CENTRAL AREA</b>	<b>50,770,338</b>	<b>2,952,065</b>	<b>11,173,396</b>	<b>27.8%</b>	<b>31.4%</b>	<b>-612,670</b>	<b>-757,451</b>	<b>904,336</b>	<b>0</b>	<b>\$15.03</b>	<b>\$17.83</b>
Northwest	2,351,643	59,438	276,759	14.3%	24.1%	1,477	7,963	36,128	63,195	\$20.32	\$22.00
Northeast	6,349,048	86,592	1,256,355	21.2%	23.1%	-44,021	-81,027	103,052	0	\$11.70	\$16.46
<b>TOTAL NORTH AREA</b>	<b>8,700,691</b>	<b>146,030</b>	<b>1,533,114</b>	<b>19.3%</b>	<b>23.4%</b>	<b>-42,544</b>	<b>-73,064</b>	<b>139,180</b>	<b>63,195</b>	<b>\$12.28</b>	<b>\$17.65</b>
Southeast	7,274,628	244,205	1,512,824	24.2%	30.0%	-113,967	-41,978	148,457	0	\$21.89	\$25.90
Southwest	3,481,962	38,429	603,879	18.4%	19.3%	-14,356	-32,954	55,786	0	\$16.16	\$17.00
<b>TOTAL SOUTH AREA</b>	<b>10,756,590</b>	<b>282,634</b>	<b>2,116,703</b>	<b>22.3%</b>	<b>26.5%</b>	<b>-128,323</b>	<b>-74,932</b>	<b>204,243</b>	<b>0</b>	<b>\$19.78</b>	<b>\$22.47</b>
<b>TOTAL SUBURBAN AREA</b>	<b>19,457,281</b>	<b>428,664</b>	<b>3,649,817</b>	<b>21.0%</b>	<b>25.1%</b>	<b>-170,867</b>	<b>-147,996</b>	<b>343,423</b>	<b>63,195</b>	<b>\$16.63</b>	<b>\$20.05</b>
<b>CALGARY TOTALS</b>	<b>70,227,619</b>	<b>3,380,729</b>	<b>14,823,213</b>	<b>25.9%</b>	<b>29.7%</b>	<b>-783,537</b>	<b>-905,447</b>	<b>1,247,759</b>	<b>63,195</b>	<b>\$15.18</b>	<b>\$18.05</b>

\*\*Rental rates reflect direct net asking \$psf/year weighted on vacant space

\*\*Future Availability rates reflect current vacant space plus space currently marketed space for lease (but not yet vacant) at the close of the quarter

## KEY LEASE TRANSACTIONS Q2 2021

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
The Parke at Fish Creek (14505 Bannister Road SE)	Southeast	Macleod Law	23,945	Renewal*
Centre 10 (517 10th Avenue SW)	Beltline	Journey Energy	21,789	Renewal*
Gulf Canada Square (401 9th Avenue SW)	Central Core	Capital Power Energy Marketing	20,343	Renewal*
Telus Sky (685 Centre Street South)	East Core	Medisys Health Group Inc.	18,819	Relocation
Eighth Avenue Place East (525 8th Avenue SW)	Central Core	Peloton Software	17,000	Relocation

\*Renewals not included in leasing statistics

## KEY SALES TRANSACTIONS Q2 2021

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
Calfrac Building (411 8th Avenue SW)	Central Core	Strategic Group / Dynasty Power	46,781	\$5.5M/\$118

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