

	YoY Chg	12-Mo. Forecast
27.6% Vacancy Rate	▲	▲
-331K Net Abs. YTD, SF	▲	▲
\$14.91 Net Asking Rent, PSF	▼	▲

(Overall, All Property Classes)

ECONOMIC INDICATORS Q2 2022

	YoY Chg	12-Mo. Forecast
875K Calgary, AB Employment	▲	▲
5.5% Calgary, AB Unemployment Rate	▼	—
4.9% Canadian Unemployment Rate	▼	—

Source: Statistics Canada

ECONOMY: Businesses Navigate Inflationary Pressures and Labour Shortages

Inflation in Calgary rose to 8.0% in May 2022, leading the national rate of 7.7%. Largely attributed to sustained supply-chain disruptions coupled with strong consumer demand following the COVID-19 pandemic, the steady increase in inflation since early 2021 had caused businesses to re-evaluate and strategize their budgets in the first half of 2022. With labour in strong demand, overall employment in Calgary reached an all-time high in June 2022 at approximately 875,100 jobs with another 26,600 added in the second quarter.

DEMAND: Shifting Tenant Requirements Lead to Increased Leasing Activity

As tenants gained a better understanding of their post-pandemic office space requirements, new leasing activity increased substantially in the first half of 2022. While businesses faced elevated labour and supply costs, relocating to smaller or upgraded spaces allowed them to secure rental rates which had remained steady since 2018. Up nearly 150% year-over-year (YoY), the 3.1 million square feet (msf) transacted by mid-year marked the most active first half-year period recorded since 2011. Some tenants capitalized on competitive rates at the many central options available and relocated their Suburban offices. Meanwhile, increased demand for 4,000 to 15,000 square foot (sf) move-in ready spaces was also a significant driver of activity in the second quarter of 2022.

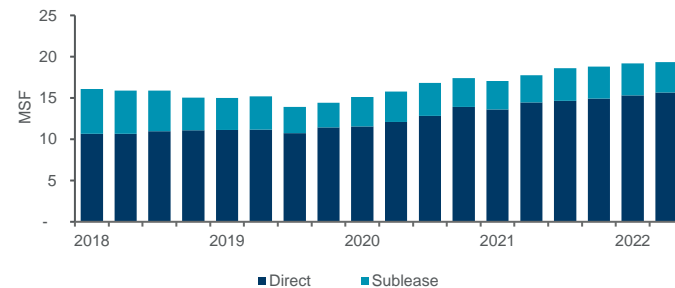
Contracted tenancies, a result of persistent demand for work-from-anywhere models and the necessity to offer flexible working benefits to secure new talent, further increased city-wide vacancy in the second quarter. However, negative absorption softened in the first half of 2022, registering an improved -330,899 sf — less than half of what was recorded by mid-year 2021 (-783,537 sf). The overall vacancy rate climbed to 27.6% during the second quarter of 2022. Downtown vacancy increased 30 basis points (bps) to 30.8%, while Suburban vacancy ticked up 20 bps to 21.4%. After peaking at 29.6% in 2021, the future availability rate (which includes space anticipated to become vacant over the next six months) declined for the third consecutive quarter to 28.3%. While the narrowing gap between current vacancy and future availability is a positive sign, major energy sector occupiers are anticipated to reduce their tenancies once their current terms expire in 2023 and could shift the availability rate upwards in the second half of the year.

Overall net asking rates registered a slight \$0.05 per square foot (psf) increase to \$14.91 psf in the second quarter of 2022 as lower-priced inventory was leased — particularly in the Suburban submarkets. With the recent upswing in leasing activity and comparatively low vacancy in the premium-class assets, some rent growth in the upper-end of the market is expected in the near term.

SUPPLY: City of Calgary Conditionally Accepts 11 Offers for Downtown Office Conversion

The \$100 million budget for the Downtown Development Incentive Program had been fully conditionally allocated by June 2022, with 11 projects in various stages of approval. Five office buildings were officially approved for conversion, totaling approximately 665,000 sf of office inventory slated to be converted to other uses.

DIRECT VS. SUBLEASE SPACE AVAILABILITY COMPARISON



OVERALL VACANCY & ASKING NET RENT



Note: Some historical data has been revised from what was originally reported for improved accuracy

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	20,676,628	1,450,872	4,073,036	26.7%	26.0%	-70,464	-278,008	706,803	0	\$13.81	\$17.00
East Core	16,316,129	807,747	3,433,383	26.0%	26.0%	-647	14,822	1,025,387	0	\$18.45	\$19.71
West Core	7,107,361	849,690	2,987,633	54.0%	54.4%	-3,868	48,132	224,778	0	\$10.95	\$14.70
DOWNTOWN SUBTOTAL	44,100,118	3,108,309	10,494,052	30.8%	30.6%	-74,979	-215,054	1,956,968	0	\$14.88	\$18.05
Beltline	6,509,256	179,912	1,384,074	24.0%	29.6%	48,280	54,491	289,171	0	\$14.12	\$16.72
TOTAL CENTRAL AREA	50,609,374	3,288,221	11,878,126	30.0%	30.4%	-26,699	-160,563	2,246,139	0	\$14.80	\$17.96
Northwest	2,354,838	4,668	341,870	14.7%	20.9%	16,918	31,706	63,788	0	\$17.89	\$21.85
Northeast	5,183,577	79,943	982,571	20.5%	21.5%	-37,650	-151,328	153,640	0	\$12.62	\$15.32
TOTAL NORTH AREA	7,538,415	84,611	1,324,441	18.7%	21.3%	-20,732	-119,622	217,428	0	\$13.74	\$17.25
Southeast	8,449,682	244,680	1,859,829	24.9%	25.2%	-42,607	-163,114	360,286	0	\$16.61	\$17.37
Southwest	3,403,938	52,352	588,341	18.8%	18.7%	22,844	112,400	291,600	0	\$13.94	\$15.86
TOTAL SOUTH AREA	11,853,620	297,032	2,448,170	23.2%	23.4%	-19,763	-50,714	651,886	0	\$15.94	\$17.06
TOTAL SUBURBAN AREA	19,392,035	381,643	3,772,611	21.4%	22.6%	-40,495	-170,336	869,314	0	\$15.25	\$17.10
CALGARY TOTALS	70,001,409	3,669,864	15,650,737	27.6%	28.3%	-67,194	-330,899	3,115,453	0	\$14.91	\$17.73

*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 2022

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
The Bow (500 Centre Street SE)	East Core	Gran Tierra Energy Inc	75,985	Relocation
TD Canada Trust Tower (421 7 th Avenue SW)	Central Core	TD Canada Trust Bank	72,385	Renewal*
Glenmore Professional Centre (1201 Glenmore Trail SW)	Southwest	Avenue Living	65,000	Relocation
Stephen Avenue Place (700 2 nd Street SW)	East Core	Bantrel Inc	65,000	Relocation
Bankers Court (850 2 nd Street SW)	East Core	Dentons	60,000	Renewal*

*Renewals not included in leasing statistics

KEY SALES TRANSACTIONS Q2 2022

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
Heritage Square (8500 Macleod Trail SE)	Southeast	Artis REIT / Private Investor (Tejinder Walia)	315,152	\$23M / \$72.98
SWIFT Centre (7136 11th Street NE)	Northeast	Yuvraj Holdings Ltd. / KV Capital	58,566	\$6.4M / \$114.69
11063 14th Street NE	Northeast	Remington Development Corp. / Hexagon Automation	25,064	\$14.7M / \$586.89

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