

YoY
Chg12-Mo.
Forecast**27.6%**

Overall Vacancy Rate

**-441K**

Overall Net Abs. YTD, SF

**\$14.43**

Net Asking Rent, PSF

(Direct Asking Rents All
Property Classes)**ECONOMIC INDICATORS
Q3 2022**YoY
Chg12-Mo.
Forecast**892K**Calgary, AB
Employment**5.2%**Calgary, AB
Unemployment Rate**5.2%**Canadian
Unemployment Rate

Source: Statistics Canada

ECONOMY: Inflation Rate Dropped Modestly Following Interest Rate Hikes

As the inflation rate in Calgary dipped from 9.6% in June 2022 to 6.8% in September, it remained to be seen if the increased Bank of Canada policy interest rate (up from 1.5% in June to 3.25% in September) would be sufficient to stabilize inflation around the target 2.0% rate. Business owners equally questioned whether the economy would be slowed to the point of recession — Alberta GDP growth in the third quarter of 2022 was projected at 0.5%, down from an estimated 1.8% in the second quarter. While the unemployment rate ticked up to 5.2% in September, overall employment growth in Calgary remained positive for the quarter with office-using sectors adding 12,000 total jobs from June 2022 to September 2022.

DEMAND: Sublease Vacancy Increased, Resistance to a Full-Time Return to Office

The overall vacancy rate increased another 20 basis points (bps) to 27.6% as effects of 2020-2021 energy-sector consolidations continued to be observed in the Calgary office market. Class A office space returning to the market on a sublease basis was the largest driver of negative absorption at 440,536 square feet overall, counter to the trend of recent quarters. Businesses with underused office space had been hesitant to compete for tenants on the sublease market as overall vacancy climbed and achievable rates dropped. After reaching a peak at over 42% in 2016, the portion of available vacant space for sublease had dropped below 20% of total vacancy before edging up to 20.2% in the third quarter of 2022.

Employers continued to encounter resistance to a full-time return to office over the summer. While most executives were in favour of greater office attendance, employees remained hesitant. Cited among main employee concerns were public transportation, cleanliness and public safety within the Downtown core. In a bid to entice employees back to the office, tenants in the market competed for well-improved, plug-and-play options in buildings with abundant tenant amenities and increased security.

Softened Downtown market fundamentals continued to attract even long-standing suburban tenants back to the city's core. Looking to capitalize on favourable lease terms and a narrowing spread between Suburban and Downtown operating costs, major tenants such as The Co-operators Insurance and Sovereign Insurance signed deals to relocate Downtown.

PRICING: Average Asking Rents for Class A Office Diverged Further from Class B and C

While some landlords continued to strategize their exit from the Calgary office market, confidence among premium asset owners was beginning to improve. Following the surge of leasing activity recorded in the first half of the year, owners of Class AA and AAA assets were less willing to negotiate on asking rents in the third quarter if their direct vacancy remained low. City-wide, Class A average asking rates climbed \$0.24 to \$17.96 per square foot (psf). Landlords of limited-amenity Class B and C buildings, however, continued to drop asking rates to remain an attractive option. With the tenant inducements and rent abatements offered, deals could be still found at near \$0.00 net effective rates. The overall city-wide average net rent decreased \$0.34 to \$14.43 psf.

DIRECT VS. SUBLEASE SPACE AVAILABILITY COMPARISON**OVERALL VACANCY & ASKING DIRECT 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	1,556,223	3,954,273	26.7%	27.8%	-1,757	-262,389	1,085,510	0	\$13.53	\$17.23
East Core	16,314,562	887,467	3,463,170	26.7%	26.1%	-123,357	-121,460	1,303,375	0	\$18.84	\$20.15
West Core	7,116,953	782,568	3,033,022	53.6%	50.7%	19,855	68,190	337,057	0	\$9.13	\$14.72
DOWNTOWN SUBTOTAL	44,108,143	3,226,258	10,450,465	31.0%	30.8%	-105,259	-315,659	2,725,942	0	\$14.35	\$18.41
Beltline	6,554,953	259,463	1,340,474	24.4%	30.4%	-52,704	9,173	387,107	0	\$13.76	\$16.53
TOTAL CENTRAL AREA	50,663,096	3,485,721	11,790,939	30.2%	30.8%	-157,963	-306,486	3,113,049	0	\$14.29	\$18.28
Northwest	2,374,838	9,499	303,499	13.2%	20.0%	29,949	63,190	117,819	0	\$16.77	\$21.67
Northeast	5,200,891	101,189	983,855	20.9%	23.3%	-22,530	-173,858	199,371	0	\$12.56	\$15.47
TOTAL NORTH AREA	7,575,729	110,688	1,287,354	18.5%	22.3%	7,419	-110,668	317,190	0	\$13.38	\$17.09
Southeast	8,506,482	273,148	1,793,410	24.3%	23.5%	-1,663	-127,009	629,283	0	\$16.02	\$16.78
Southwest	3,426,646	51,682	593,774	18.8%	20.7%	-11,579	103,627	321,228	0	\$14.77	\$17.14
TOTAL SOUTH AREA	11,933,128	324,830	2,387,184	22.7%	22.7%	-13,242	-23,382	950,511	0	\$15.66	\$16.87
TOTAL SUBURBAN AREA	19,508,857	435,518	3,674,538	21.1%	22.5%	-5,823	-134,050	1,267,701	0	\$14.88	\$16.92
CALGARY TOTALS	70,171,953	3,921,239	15,465,477	27.6%	28.5%	-163,786	-440,536	4,380,750	0	\$14.43	\$17.96

*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 Q3 2022

PROPERTY	SUBMARKET	TENANT	SF	TYPE
The Ampersand East (112 4 th Avenue SW)	East Core	MNP	84,668	Headlease
2535 3 rd Avenue SE	Southeast	Wood Canada Limited	74,450	Headlease
Centennial Place East (520 3 rd Avenue SW)	Central Core	Surge Energy Inc	43,873	Headlease
Quarry Crossing Building B (28 Quarry Park Blvd SE)	Southeast	Aveva	34,071	Headlease
Sundance 1000 (1000 15 Sunpark Plaza SE)	Southeast	Fortress Engineering	24,462	Headlease

*Renewals not included in leasing statistics

KEY SALES TRANSACTIONS Q3 2022

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
Millennium Tower (440 2 nd Avenue SW)	Central Core	Oxford Properties / Hazelview Investments & Aspen Properties	436,602	\$110M / \$253

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