



YoY  
Chg

12-Mo.  
Forecast

27.3%

Vacancy Rate



-115K

Net Abs. YTD, SF



\$14.64

Net Asking Rent, PSF



(Overall, All Property Classes)

## ECONOMIC INDICATORS Q1 2023

YoY  
Chg

12-Mo.  
Forecast

876K

Calgary, AB  
Employment

6.6%

Calgary, AB  
Unemployment Rate

5.0%

Canadian  
Unemployment Rate

Source: Statistics Canada

## ECONOMY: Recession Concerns Ease as Labour Market, Inflation Stabilize

The economic outlook in Calgary remained optimistic in the first quarter of 2023 and the 2022 end-of-year uncertainty eased. Inflation had slowed to 3.7% in February, the lowest since June 2021 and below the Canadian average of 5.3%. The labour force also showed signs of stabilization and overall employment increased in March 2023 after six months of decline. Despite headline layoffs, labour in the tech sector remained in demand and the professional, scientific and technical services industries combined added 13,100 new jobs in Calgary over the first quarter.

## DEMAND: Tenants Adapting to New Office Requirements Drive Market Activity

The office leasing market was re-energized in the new year, following decreased activity in the second half of 2022. New transactions totaled over 1.5 million square feet (msf) in the first quarter, an increase of almost 50% from Q4 2022. Upward pressure on Class A rental rates in the second half of 2022 had signaled to some tenants that it was a good time to secure upgraded office space. Tenants who spent 2022 re-evaluating space requirements for a new hybrid work environment have been motivated to lock in new lease terms and pivot to long-term planning in the new year.

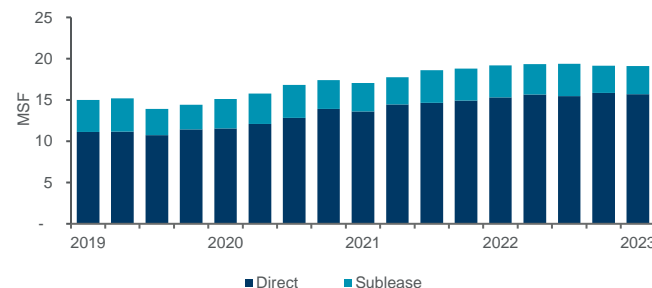
However, absorption returned to net negative in the first quarter of 2023 and new leasing activity was not expected to lead to a net increase in office occupancy in 2023. Move-outs outpaced move-ins in both the downtown and suburban markets for an overall net negative 114,576 square feet (sf) absorption city-wide. Over the next two quarters large lease expiries and consolidations are expected and are set to leave additional large pockets of office space vacant.

Net asking rents increased for the second consecutive quarter. At \$14.64 per square foot (psf), the overall average net asking rent was up \$0.08 psf from the previous quarter although rents are down \$0.16 year-over-year. Landlords of premium assets without sublease competition within the building were able to keep firm on net effective rents — a trend that is expected to continue.

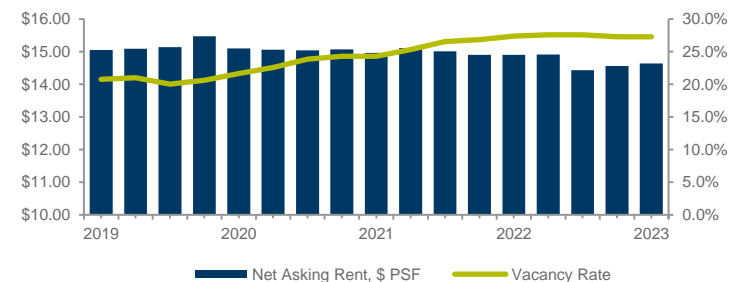
## SUPPLY: City Incentive Program Continues to Encourage Office Conversions

The city-wide vacancy rate held steady as newly vacant space was off-set by a further reduction in considered inventory. Office space removed through the Downtown Calgary Development Incentive Program since 2021 totaled 683,000 sf at the end of the quarter, and further announced projects were set to convert another approximately 1.0 msf of vacant office inventory in Calgary's core. The city had recently expanded the incentive program to encourage conversion for post-secondary institutions along with full demolitions of obsolete office buildings.

## DIRECT VS. SUBLEASE SPACE AVAILABILITY



## 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	20,660,099	1,298,388	3,863,079	25.0%	27.0%	46,384	46,384	430,091	0	\$13.65	\$17.23
East Core	16,318,561	720,869	3,395,302	25.2%	26.3%	-55,305	-55,305	279,766	0	\$18.89	\$20.27
West Core	6,880,180	757,362	2,921,234	53.5%	52.2%	-92,673	-92,673	166,507	0	\$9.46	\$14.73
<b>DOWNTOWN SUBTOTAL</b>	<b>43,858,840</b>	<b>2,776,619</b>	<b>10,179,615</b>	<b>29.5%</b>	<b>30.7%</b>	<b>-101,594</b>	<b>-101,594</b>	<b>876,364</b>	<b>0</b>	<b>\$14.51</b>	<b>\$18.42</b>
Beltline	6,529,458	226,646	1,372,738	24.5%	29.8%	9,309	9,309	170,048	0	\$14.09	\$17.31
<b>TOTAL CENTRAL AREA</b>	<b>50,388,298</b>	<b>3,003,265</b>	<b>11,552,353</b>	<b>28.9%</b>	<b>30.6%</b>	<b>-92,285</b>	<b>-92,285</b>	<b>1,046,412</b>	<b>0</b>	<b>\$14.48</b>	<b>\$18.35</b>
Northwest	2,374,838	10,391	324,920	14.1%	20.3%	-10,023	-10,023	53,511	30,926	\$16.96	\$21.94
Northeast	5,200,904	189,180	1,060,389	24.0%	21.6%	-20,774	-20,774	71,525	0	\$12.43	\$15.45
<b>TOTAL NORTH AREA</b>	<b>7,575,742</b>	<b>199,571</b>	<b>1,385,309</b>	<b>20.9%</b>	<b>21.2%</b>	<b>-30,797</b>	<b>-30,797</b>	<b>125,036</b>	<b>30,926</b>	<b>\$13.40</b>	<b>\$17.13</b>
Southeast	8,523,678	140,520	2,241,555	27.9%	27.7%	-17,518	-17,518	282,083	0	\$16.39	\$17.20
Southwest	3,426,646	46,876	527,796	16.8%	21.0%	26,024	26,024	55,890	0	\$15.14	\$17.20
<b>TOTAL SOUTH AREA</b>	<b>11,950,324</b>	<b>187,396</b>	<b>2,769,351</b>	<b>24.7%</b>	<b>25.8%</b>	<b>8,506</b>	<b>8,506</b>	<b>337,973</b>	<b>0</b>	<b>\$16.06</b>	<b>\$17.20</b>
<b>TOTAL SUBURBAN AREA</b>	<b>19,526,066</b>	<b>386,967</b>	<b>4,154,660</b>	<b>23.3%</b>	<b>24.0%</b>	<b>-22,291</b>	<b>-22,291</b>	<b>463,009</b>	<b>30,926</b>	<b>\$15.19</b>	<b>\$17.18</b>
<b>CALGARY TOTALS</b>	<b>69,914,364</b>	<b>3,390,232</b>	<b>15,707,013</b>	<b>27.3%</b>	<b>28.7%</b>	<b>-114,576</b>	<b>-114,576</b>	<b>1,509,421</b>	<b>30,926</b>	<b>\$14.64</b>	<b>\$18.07</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 Q1 2023

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
Western Canadian Place North (707 8 <sup>th</sup> Avenue SW)	West Core	Hatch Ltd.	52,645	Sublease
Fifth Avenue Place East (425 1 <sup>st</sup> Street SE)	East Core	BGC Engineering	50,056	Headlease
The District at Beltline (220 12 <sup>th</sup> Avenue SW)	Beltline	Bell Canada	31,020	Headlease
Western Canadian Place South (700 9 <sup>th</sup> Avenue SW)	West Core	Harvest Oil	30,815	Sublease
Fifth Avenue Place West (237 4 <sup>th</sup> Avenue SW)	East Core	Calgary Economic Development	24,993	Headlease

## KEY SALES TRANSACTIONS Q1 2023

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
U-Haul Building (215 16 <sup>th</sup> Street SE)	Southeast	Postmedia Network Inc./ U-Haul Co. (Canada) Ltd.	391,590	\$17.2M / \$44
Optima Place (744 4 <sup>th</sup> Avenue SW)	Central Core	Strategic Group/Institutional Mortgage Capital	49,131	\$2.9M / \$59

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