



27.3%

Vacancy Rate

YoY  
Chg12-Mo.  
Forecast

-118K

Net Abs. YTD, SF



\$15.56

Net Asking Rent, PSF



(Overall, All Property Classes)

ECONOMIC INDICATORS  
Q2 2023

912K

Calgary, AB  
EmploymentYoY  
Chg12-Mo.  
Forecast

6.3%

Calgary, AB  
Unemployment Rate

5.4%

Canadian  
Unemployment Rate

Source: Statistics Canada

## ECONOMY: Labour Market Stabilizes as Positive Economic Growth Predicted for 2023

Strong population growth supported a stabilizing labour market at mid-year 2023. The Calgary unemployment rate was 6.3% in June 2023 after increasing from a 5.0% low in September 2022 to 6.6% in March. Among office-using sectors, professional, scientific and technical services continued to see the most job growth with 6,700 jobs added from April to June. While many business leaders began mandating days in the office for employees in the spring, some companies reinforced work-from-home policies and returned underused office space to the Calgary market.

## SUPPLY AND DEMAND: Net Absorption Remains Negative Despite Strong Leasing Activity

Demand for office space remained steady throughout the spring, with new leasing activity totaling 2.8 million square feet (msf) at mid-year 2023. Tenants seeking space 2,000 to 5,000 square feet were especially active in the market in the first six months of the year, with new leases in that size range increasing over 60% from the second half of 2022. Demand for top-quality office space supported continued activity in the Class A sublease market. Among top-tier (AAA) buildings, the amount of space subleased since the beginning of 2022 totaled three times that transacted in the previous two years combined. Some tenants who had previously hesitated to market their underused offices were newly motivated to offer their space for sublease.

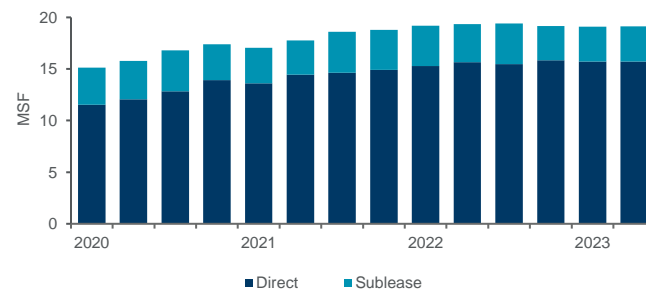
Although many office tenants relocated in the spring, net absorption remained negative for the year and the city-wide vacancy rate held steady at 27.3%. While sublease space kept overall Class A vacancy at 25.6%, the direct Class A vacancy rate was 18.9% at quarter-end. The top of the market continued to lead performance with direct vacancy for Class AAA office at only 6.1%, down 120 basis-points year-over-year (YOY).

In April, five more office buildings were newly approved for residential conversion through the Downtown Calgary Development Incentive Program. In total, an estimated 1.35 msf of office space in Calgary's downtown core had been approved since the program was announced in 2021. While incentivized by the \$160 million in municipal investment, landlords and developers came up against increasing challenges when planning projects, balancing inflated construction costs and the rising cost of capital against already tight margins for office conversion.

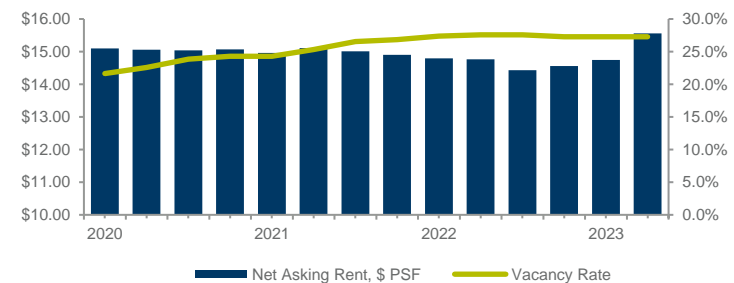
## PRICING: Top-performing Downtown AAA Buildings Post Substantial Increases in Asking Rents

Overall average net asking rents had increased \$0.75 YOY to \$15.56 per square foot (psf) for Calgary office space at mid-year. Led by substantial increases among Class AAA buildings - some asking \$4-6 psf more than a year prior - this signaled the first notable recovery in asking rents since 2019. Following the 2014-2016 collapse in oil prices, asking rents in the Calgary office market had dropped over 45% to the 2017 low from a high of \$26.46 psf in 2014.

## DIRECT VS. SUBLEASE SPACE AVAILABILITY



## OVERALL VACANCY &amp; 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	1,246,309	3,920,807	25.0%	25.8%	-12,351	40,735	836,141	0	\$14.92	\$17.76
East Core	16,318,561	773,125	3,289,148	24.9%	25.5%	56,067	-4,020	461,622	0	\$19.95	\$21.56
West Core	6,880,180	704,677	2,955,142	53.2%	50.8%	14,058	-73,896	257,127	0	\$10.25	\$14.88
<b>DOWNTOWN SUBTOTAL</b>	<b>43,858,840</b>	<b>2,724,111</b>	<b>10,165,097</b>	<b>29.4%</b>	<b>29.6%</b>	<b>57,774</b>	<b>-37,181</b>	<b>1,554,890</b>	<b>0</b>	<b>\$15.77</b>	<b>\$19.25</b>
Beltline	6,530,356	257,431	1,676,843	29.6%	29.3%	-334,890	-325,581	298,411	0	\$14.49	\$18.21
<b>TOTAL CENTRAL AREA</b>	<b>50,389,196</b>	<b>2,981,542</b>	<b>11,841,940</b>	<b>29.4%</b>	<b>29.6%</b>	<b>-277,116</b>	<b>-362,762</b>	<b>1,853,301</b>	<b>0</b>	<b>\$15.65</b>	<b>\$19.19</b>
Northwest	2,387,817	6,833	309,147	13.2%	10.9%	-10,023	22,287	127,693	0	\$17.62	\$21.75
Northeast	5,200,904	209,285	979,321	22.9%	22.3%	-20,774	40,189	206,914	0	\$12.46	\$15.42
<b>TOTAL NORTH AREA</b>	<b>7,588,721</b>	<b>216,118</b>	<b>1,288,468</b>	<b>19.8%</b>	<b>18.7%</b>	<b>-30,797</b>	<b>62,476</b>	<b>334,607</b>	<b>0</b>	<b>\$13.57</b>	<b>\$17.06</b>
Southeast	8,487,936	152,585	2,018,165	25.6%	24.4%	211,325	193,807	400,383	0	\$16.41	\$17.13
Southwest	3,445,731	46,876	569,507	17.9%	20.3%	-37,204	-11,180	129,245	0	\$15.02	\$17.20
<b>TOTAL SOUTH AREA</b>	<b>11,933,667</b>	<b>199,461</b>	<b>2,587,672</b>	<b>23.4%</b>	<b>23.2%</b>	<b>174,121</b>	<b>182,627</b>	<b>529,628</b>	<b>0</b>	<b>\$16.04</b>	<b>\$17.14</b>
<b>TOTAL SUBURBAN AREA</b>	<b>19,522,388</b>	<b>415,579</b>	<b>3,876,140</b>	<b>22.0%</b>	<b>21.5%</b>	<b>267,657</b>	<b>245,103</b>	<b>864,235</b>	<b>0</b>	<b>\$15.25</b>	<b>\$17.12</b>
<b>CALGARY TOTALS</b>	<b>69,911,584</b>	<b>3,397,121</b>	<b>15,718,080</b>	<b>27.3%</b>	<b>27.3%</b>	<b>-9,459</b>	<b>-117,659</b>	<b>2,717,536</b>	<b>0</b>	<b>\$15.56</b>	<b>\$18.71</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 2023

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
240Fourth (240 4 <sup>th</sup> Avenue SW)	East Core	AESO	90,291	Headlease
Eighth Avenue Place (525 8 <sup>th</sup> Avenue SW)	Central Core	Tamarack Valley Energy	47,714	Headlease
Eau Claire Tower (600 3 <sup>rd</sup> Avenue SW)	Central Core	McLennan Ross LLP	28,199	Sublease
Fifth & Fifth (605 5 <sup>th</sup> Avenue SW)	Central Core	Aux Sable Canada	17,094	Headlease
Telephone Building (119 6 <sup>th</sup> Avenue SW)	East Core	VizWorx	16,859	Headlease

## KEY SALES TRANSACTIONS YTD 2023

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
Petro Fina Building (736 8 <sup>th</sup> Avenue SW)	West Core	Telus Corporation / Peoplefirst Developments	168,453	\$7.2M/\$43
The Cornerstone (909 5 <sup>th</sup> Avenue SW)	West Core	ConnectionFirst Credit Union/ Peoplefirst Developments	122,095	\$12M/\$98
417 14 <sup>th</sup> Street NW	Northwest	Noble Grounds Inc. / Northwest Prosthodontics	17,517	\$1.75M/\$100

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