MARKETBEAT

CALGARY, AB

Office Q3 2023

CUSHMAN & WAKEFIELD

	YoY Chg	12-Mo. Forecast
27.2% Vacancy Rate	▼	▼
-9,460 Net Abs. YTD, SF	▲	—
$15.34 Net Asking Rent, PSF	▲	▲

(Overall, All Property Classes)

ECONOMIC INDICATORS Q3 2023

	YoY Chg	12-Mo. Forecast
920K Calgary, AB Employment	▲	▲
5.9% Calgary, AB Unemployment Rate	▲	▼
5.5% Canadian Unemployment Rate	▲	▲

Source: Statistics Canada

ECONOMY: Calgary Economy in Strong Position to Face Global Headwinds

Despite recession concerns earlier in the year, Calgary's Real GDP was projected to grow by 3.4% in 2023. A revitalized energy sector and record levels of interprovincial and international migration were expected to support a stabilized labour market and economic growth. The unemployment rate in Calgary fell from 6.3% in July to 5.9% in September, while office-using employment remained at 312,000.

DEMAND: Absorption Net Positive in Third Quarter, Remained Negative Year-To-Date (YTD)

Downtown vacancy continued to decline in the third quarter to 28.5%, as an additional 500k square feet (sf) of vacant office space was removed from the market to be prepared for residential conversion. While tenant demand remained flat, the reduced inventory combined with modest net positive absorption resulted in a further 90 basis point drop in the Downtown vacancy rate—which peaked at 30.9% in the third quarter of 2022. Continued tenant contractions were balanced by expansions in the energy sector, and YTD absorption city-wide was brought up to near net zero (negative 9,460 sf). Sublease vacancy as a percentage of all vacant space on the market dropped to 14.7%. This was the lowest level registered since 2006 after reaching a peak of 42.8% in 2016.

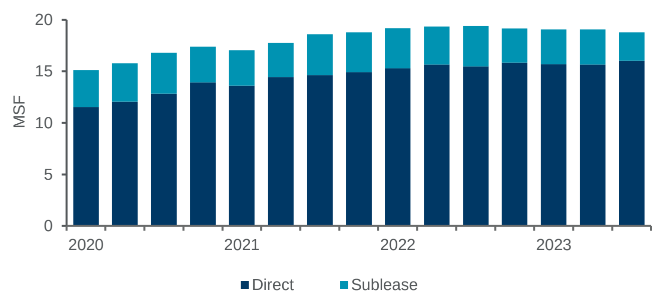
New office leasing activity in Calgary slowed only modestly over the summer months as many tenants finalized long-considered plans. Tenants still unsure of long-term requirements felt comfortable choosing move-in ready show suites and flexible terms that facilitated lower up-front costs. Meanwhile, tenants with specialized requirements looked to balance soaring build-out costs by locking in current market rates for the long term. New transactions totaled 1.2 million square feet (msf) for the third quarter, just 5% below the 1.3 msf leased las quarter. The Class A Suburban market was notably active, where transactions increased over 65% from the second quarter.

Net asking rents remained flat with the overall average closing at $15.34 per square foot (psf). Despite continued upward pressure on top-tier rents, the weighted average for Class A asking rent declined a slight $0.20 to $18.51 psf after increasing $1.00 psf over the previous year—a result of reduced available top-tier space and large sublease pockets rolling over to headlease.

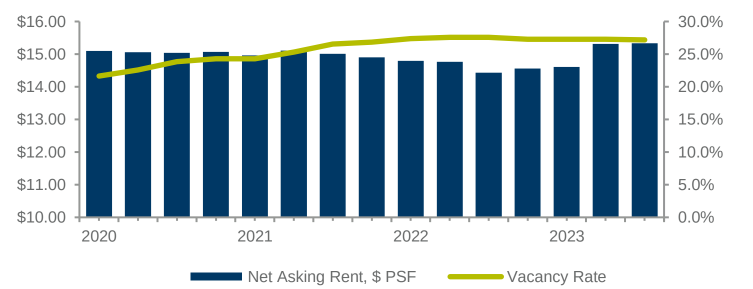
SUPPLY: Landlords Strategically Converting Underused Space

As vacancy remained above 27% city-wide, landlords looked to use limited capital strategically to update or convert existing assets. Well-positioned Class A buildings gained a competitive edge by offering expanded or updated amenities, while lower-class assets could be promising candidates for conversion and benefit from the city's Downtown Incentive Program. Converting empty floors to be toured as show suites proved to be an effective use of capital for many landlords across the city. Tenants could better visualize the space to compare against their requirements and were reassured amidst unmanageable construction costs.

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

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CALGARY, AB

Office Q3 2023

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	20,584,656	947,989	4,030,886	24.2%	25.7%	112,078	153,533	1,171,057	0	$14.63	$15.22
East Core	16,118,561	579,468	3,315,320	24.2%	24.4%	142,657	138,637	590,611	0	$19.78	$20.65
West Core	6,606,295	623,402	2,861,973	52.8%	52.6%	44,190	-29,706	367,865	0	$9.98	$14.56
DOWNTOWN SUBTOTAL	43,309,512	2,150,859	10,208,179	28.5%	29.3%	298,925	262,464	2,129,533	**0**	$15.52	$17.50
Beltline	6,446,206	232,208	1,618,026	28.7%	28.4%	72,863	-252,967	372,549	0	$14.37	$18.92
TOTAL CENTRAL AREA	49,755,718	2,383,067	11,826,205	28.6%	29.2%	371,788	9,497	2,502,082	**0**	$15.42	$17.60
Northwest	2,182,849	2,165	295,720	13.6%	11.1%	18,095	40,382	198,576	0	$15.34	$19.79
Northeast	5,200,904	198,615	1,091,424	24.8%	22.6%	-101,433	-61,244	356,610	0	$12.95	$15.06
TOTAL NORTH AREA	7,383,753	200,780	1,387,144	21.5%	19.2%	-83,338	-20,862	555,186	**0**	$13.30	$15.72
Southeast	8,487,936	127,087	2,194,391	27.4%	23.5%	-173,799	43,079	663,974	0	$16.10	$17.16
Southwest	3,445,731	43,597	602,780	18.8%	19.3%	-29,994	-41,174	154,035	0	$14.86	$17.16
TOTAL SOUTH AREA	11,933,667	170,684	2,797,171	24.9%	22.3%	-203,793	1,905	818,009	**0**	$15.80	$17.16
TOTAL SUBURBAN AREA	19,317,420	371,464	4,184,315	23.6%	21.1%	-287,131	-18,957	1,373,195	**0**	$15.05	$16.83
CALGARY TOTALS	**69,073,138**	**2,754,531**	**16,010,520**	**27.2%**	**26.9%**	**84,657**	**-9,460**	**3,875,277**	**0**	**$15.34**	**$17.39**

**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 2023

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
Bankers Hall West (888 3rd Street SW)	Central Core	Deloitte	110,448	Headlease
ATB Westwinds Campus (3699 63rd Avenue NE)	Northeast	De Havilland	78,768	Sublease
3030 Building (3030 2nd Avenue SE)	Southeast	PCL Construction	47,206	Headlease
*Southland Park I (10201 Southport Road SW)	Southwest	Laser Rejuvenation Clinics Inc.	29,613	Expansion/Renewal
Wood Centre (2535 3rd Avenue SE)	Southeast	Calgary Housing Company	27,267	Headlease

**Renewals not included in leasing statistics*

KEY SALES TRANSACTIONS Q3 2023

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/$ PSF
EQ Bank Tower (906 12th Avenue SW)	Beltline	Telus Corporation/ Strategic Group	135,442	$8.9M/$65.71
M-Tech Building (1401 1st Street SE)	Beltline	M-Tech Properties Inc/ Fueling Brains	27,952	$5.9M/$213

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