

## MARKET FUNDAMENTALS

	YOY Chg	12-Month Forecast
<b>25.2%</b> Vacancy Rate	▼	▼
<b>631K</b> YTD Net Absorption, SF	▲	▼
<b>\$14.98</b> Asking Rent, PSF	▼	—

*(Overall, All Property Classes)*

## ECONOMIC INDICATORS

	YOY Chg	12-Month Forecast
<b>942K</b> Calgary Employment	▲	▲
<b>7.4%</b> Calgary Unemployment Rate	▲	▼
<b>6.5%</b> Canada Unemployment Rate	▲	—

Source: Statistics Canada

## ECONOMY: INFLATION EASES AND EMPLOYEES ARE REQUESTED TO SPEND MORE TIME IN THE OFFICE

The Bank of Canada (BoC) reduced its lending rate to 4.25% in September with a third consecutive rate cut, and the national inflation rate fell below the BoC's targeted inflation benchmark of 2.0% for the first time since February 2021. Locally however, the Calgary inflation rate remained above the national average amid persistently high housing costs.

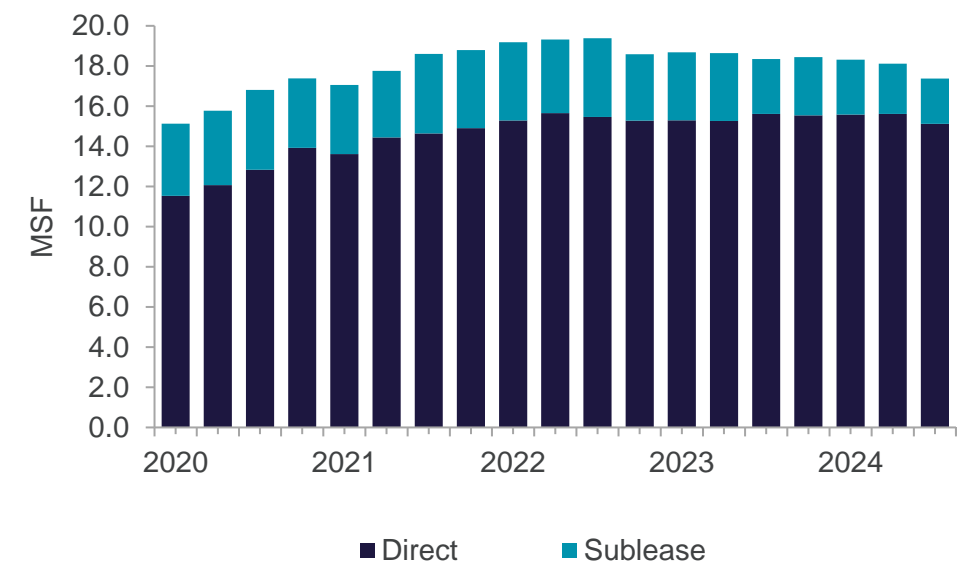
Calgary's unemployment rate decreased from 8.5% in June 2024 to 7.4% by September 2024, but the modest employment growth was driven largely by part-time hiring. While part-time employment grew by 19,500 year-over-year (YOY), full-time employment declined by 3,600. Office-using employment was also down YOY in August, and it was yet to be seen if the trend towards return-to-office mandates for hybrid workers would translate to larger office footprints for tenants.

## CALGARY: VACANCY CONTINUES TO DECLINE

The city-wide vacancy rate declined 100 basis points (bps) to 25.2% in the third quarter as year-to-date (YTD) net absorption reached 630,846 square feet (sf). Absorption was driven by tenants securing larger floorplates in Class A buildings, while overall vacancy was further reduced due to the removal of office buildings from the market for conversion projects. Expiring headleases continued to shift sublease vacancy back to landlord control, and some tenants chose to re-occupy previously sub-listed space. Despite some notable new sublease vacancies, the sublease market continued to decline and represented only 13.0% of total vacancy at quarter-end.

Overall average net asking rates increased \$0.26 per-square-foot (psf) to \$14.98 psf in the third quarter of 2024, reversing two quarters of rent decline.

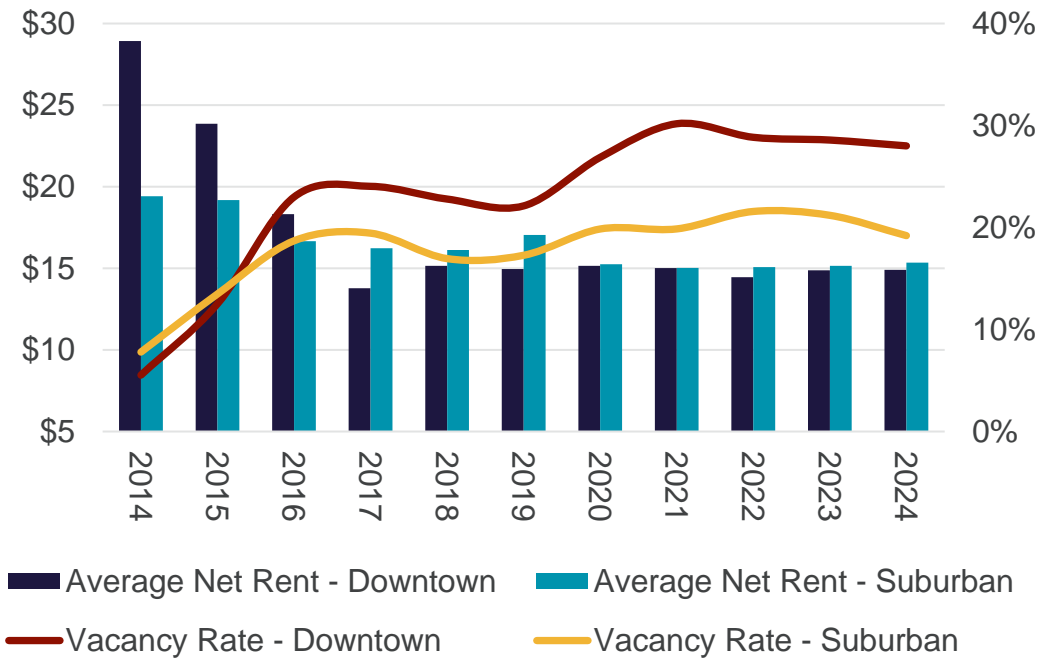
## DIRECT VS. SUBLEASE VACANT SPACE



## OVERALL VACANCY & ASKING RENT



**DOWNTOWN VS SUBURBAN**

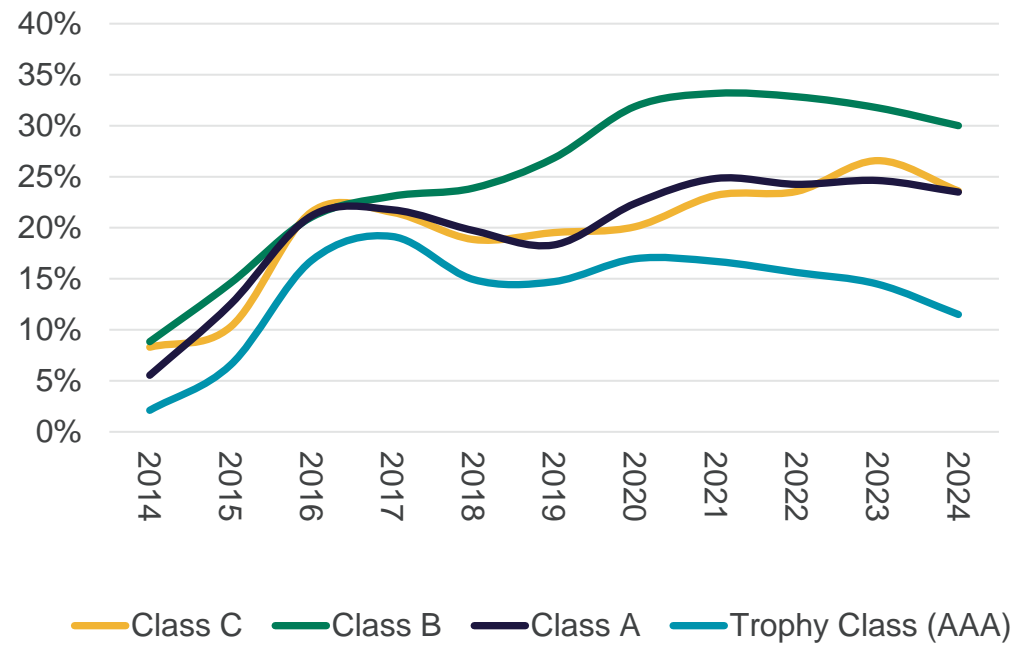


**DOWNTOWN: CONVERSION PROJECTS CONTINUE TO ATTRACT ATTENTION**

Residential conversions contributed to reduced vacancy in both the Downtown and Beltline markets where the overall vacancy rate dipped 50 bps to 28.0%, and 270 bps to 24.0% respectively. Net positive absorption was focused in the Central Core and East Core submarkets as tenants relocated or expanded to premium office space. The vacancy rate in trophy class buildings dropped to 11.5%, the lowest seen since 2016. Steady oil prices over the previous two years continued to result in energy sector growth which was a driving factor in larger tenancies. A large energy tenant re-occupying their previously vacated space resulted in approximately 250,000 sf of positive absorption alone.

Calgary's Downtown office market was a focus for investors looking for strategic opportunities in 2024, and ownership of the city's office assets continued to shift from the historically dominant institutions to private landlords. The City of Calgary announced \$52.5M in additional funds for the Downtown conversion program in September, inviting owners of qualifying office properties further opportunity to seek approval for the \$75 psf subsidy.

**VACANCY BY CLASS**



**SUBURBAN: SUBLEASE VACANCY AT ALL-TIME LOW**

In Calgary's suburban office market, the overall vacancy rate fell 40 bps to 19.2% in the third quarter of 2024. Net positive absorption of 155,643 sf was recorded, attributed to a few suburban occupiers expanding footprints upon lease renewal. Additionally, the sale of a Quarry Park building to the Alberta Government, earmarked as a future school conversion project, removed vacant office space from the Southeast market.

With a few large sublease vacancies reaching term, sublease vacancy dropped to a new low in the suburban market, representing only 3.7% of overall vacancy in the market. The sublease market was 10.7% of suburban vacancy at year-end 2023 after peaking at 38.5% in 2016.

**OUTLOOK**

- New leasing activity appears to be slowing, with total YTD transactions down over 22.0% YOY. As a result, net absorption is likely to decelerate in 2025.
- Downtown vacancy is expected to decline as further office conversion projects remove unused inventory from the Downtown core. However, it is yet to be determined how many buildings will be approved for conversion with this latest round of applications, and likewise the number of slated projects that will be seen to successful completion.
- Major geopolitical events on the horizon supply an extra layer of uncertainty to the forecast over the coming months. Energy industry tenants are the largest occupiers of office space in Calgary, and oil prices can make a significant impact on the market.

MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD OVERALL NET 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	644,100	4,156,450	23.3%	188,413	227,925	1,019,761	0	\$13.73	\$16.11
East Core	16,585,097	727,450	3,388,788	24.8%	53,641	-122,185	572,655	0	\$20.81	\$20.56
West Core	6,606,295	626,368	2,698,298	50.3%	55,336	129,498	291,091	0	\$9.26	\$13.76
<b>DOWNTOWN SUBTOTAL</b>	<b>43,776,048</b>	<b>1,997,918</b>	<b>10,243,536</b>	<b>28.0%</b>	<b>297,390</b>	<b>235,238</b>	<b>1,883,507</b>	<b>0</b>	<b>\$14.91</b>	<b>\$17.71</b>
Beltline	6,161,297	119,855	1,355,861	24.0%	16,022	167,617	378,813	0	\$14.53	\$17.94
<b>TOTAL CENTRAL AREA</b>	<b>49,937,345</b>	<b>2,117,773</b>	<b>11,599,397</b>	<b>27.5%</b>	<b>313,412</b>	<b>402,855</b>	<b>2,262,320</b>	<b>0</b>	<b>\$14.86</b>	<b>\$17.74</b>
Northeast	5,117,415	51,064	997,659	20.5%	3,667	40,665	237,662	0	\$13.47	\$15.17
Northwest	2,182,849	25,110	251,156	12.7%	62,346	43,125	90,735	0	\$14.62	\$20.24
<b>TOTAL NORTH AREA</b>	<b>7,300,264</b>	<b>76,174</b>	<b>1,248,815</b>	<b>18.1%</b>	<b>66,013</b>	<b>83,790</b>	<b>328,397</b>	<b>0</b>	<b>\$13.66</b>	<b>\$15.63</b>
Southeast	8,341,085	34,970	1,661,754	20.3%	78,981	133,220	322,443	0	\$16.57	\$17.62
Southwest	3,433,731	24,915	610,111	18.5%	10,649	10,981	139,735	0	\$14.90	\$17.07
<b>TOTAL SOUTH AREA</b>	<b>11,774,816</b>	<b>59,885</b>	<b>2,271,865</b>	<b>19.8%</b>	<b>89,630</b>	<b>144,201</b>	<b>462,178</b>	<b>0</b>	<b>\$16.18</b>	<b>\$17.51</b>
<b>TOTAL SUBURBAN AREA</b>	<b>19,075,080</b>	<b>136,059</b>	<b>3,520,680</b>	<b>19.2%</b>	<b>155,643</b>	<b>227,991</b>	<b>790,575</b>	<b>0</b>	<b>\$15.35</b>	<b>\$17.09</b>
<b>CALGARY TOTALS</b>	<b>69,012,425</b>	<b>2,253,832</b>	<b>15,120,077</b>	<b>25.2%</b>	<b>469,055</b>	<b>630,846</b>	<b>3,052,895</b>	<b>0</b>	<b>\$14.98</b>	<b>\$17.58</b>

\*Rental rates reflect weighted net asking \$psf/year weighted on vacant space

KEY LEASE TRANSACTIONS Q3 2024

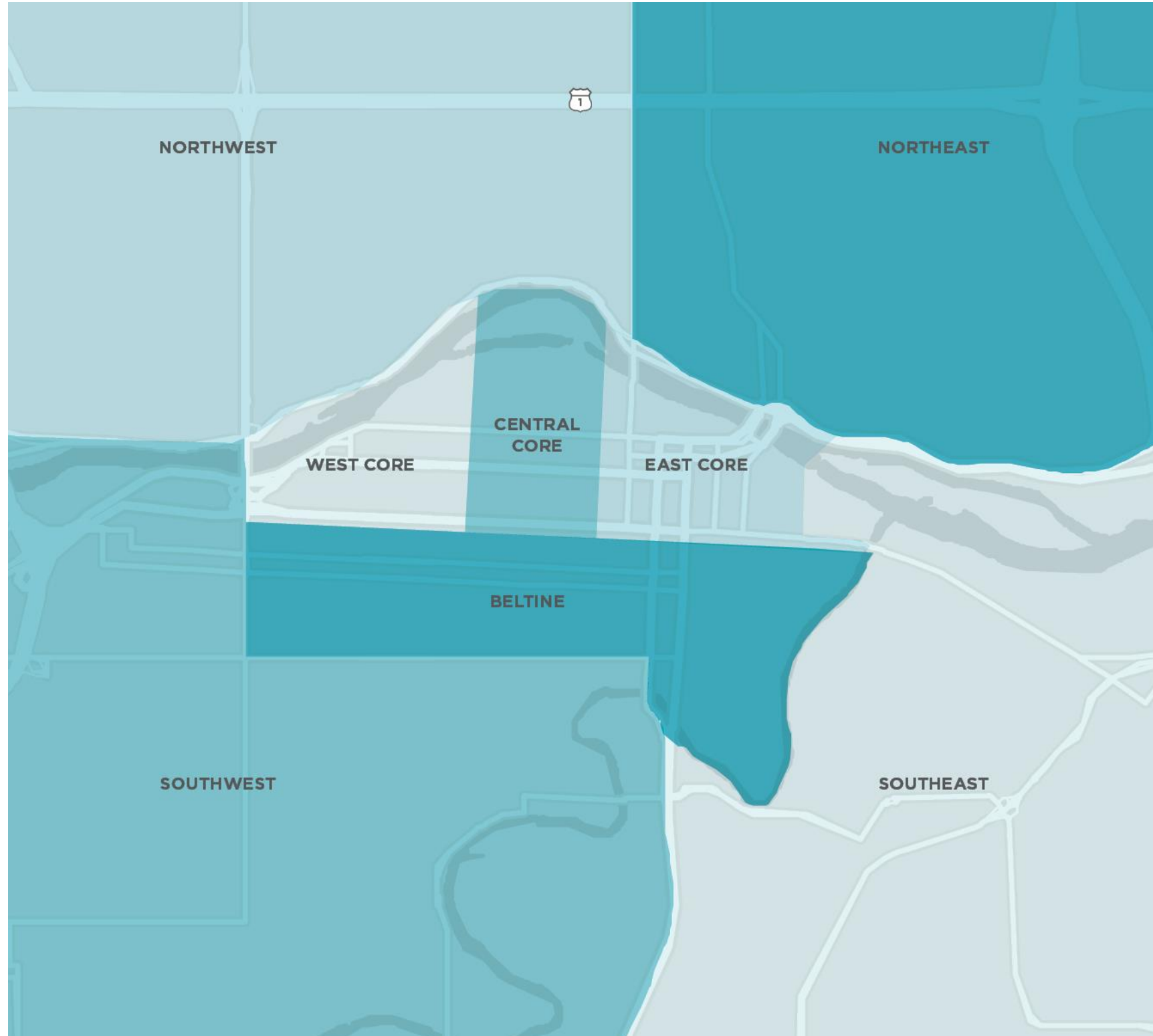
PROPERTY	SUBMARKET	TENANT	SF	TYPE*
Centennial Place East/ 520 3 <sup>rd</sup> Avenue SW	Central Core	Teine Energy	68,188	Renewal
Penn West Plaza East/ 207 9 <sup>th</sup> Avenue SW	East Core	Obsidian Energy Ltd.	47,000	Renewal
The Bow/ 500 Centre Street SE	East Core	Torxen Energy Resources Ltd.	35,982	Sublease
Centennial Place East/ 207 9 <sup>th</sup> Avenue SW	East Core	Westbrick Energy	28,327	Renewal
First Tower/411 1 <sup>st</sup> Street SE	East Core	Pieridae Energy	26,200	Headlease

\*Renewals not included in leasing statistics

KEY SALES TRANSACTIONS Q3 2024

PROPERTY	SUBMARKET	SELLER/BUYER	SF	PRICE / \$ PSF
645 7 <sup>th</sup> Avenue SW	Central Core	Cadillac Fairview/ Soltron Group	359,131	\$21.5M/\$60
1040 7 <sup>th</sup> Avenue SW	West Core	Telus Corporation/ Pyramid eServices Private Ltd.	81,126	\$5.5M/\$68

OFFICE SUBMARKETS



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