

MARKET FUNDAMENTALS

	YOY Chg	Outlook
25.0% Vacancy Rate	▼	▼
775K YTD Net Absorption, SF	▲	▼
\$14.97 Asking Rent, PSF <i>(Overall, All Property Classes)</i>	▲	▬

ECONOMIC INDICATORS

	YOY Chg	Outlook
997.8K Calgary Employment	▲	▲
7.8% Calgary Unemployment Rate	▲	▼
6.7% Canada Unemployment Rate	▲	▬

Source: City of Calgary, Statistics Canada

ECONOMY:

The Calgary Metropolitan Region (CMR) unemployment rate rose to 7.8% in December, up 20 basis points (bps) from Q3 2024, among the highest in Canada. In contrast, the Calgary Economic Region (CER) unemployment rate increased only slightly to 7.4% in December 2024, while 37,900 net new positions were added to the labour market year-over-year (YOY).

Health Care & Social Assistance led job growth in the fourth quarter, adding 21,700 jobs YOY. Increased migration in 2024 contributed to higher municipal unemployment rates; however, the provincial government's push to hire in Health Care boosted employment in this sector. This is a trend that could benefit the Calgary office market as Health Care Providers and Government agencies look to expand their administrative footprint.

Sources: City of Calgary, Statistics Canada

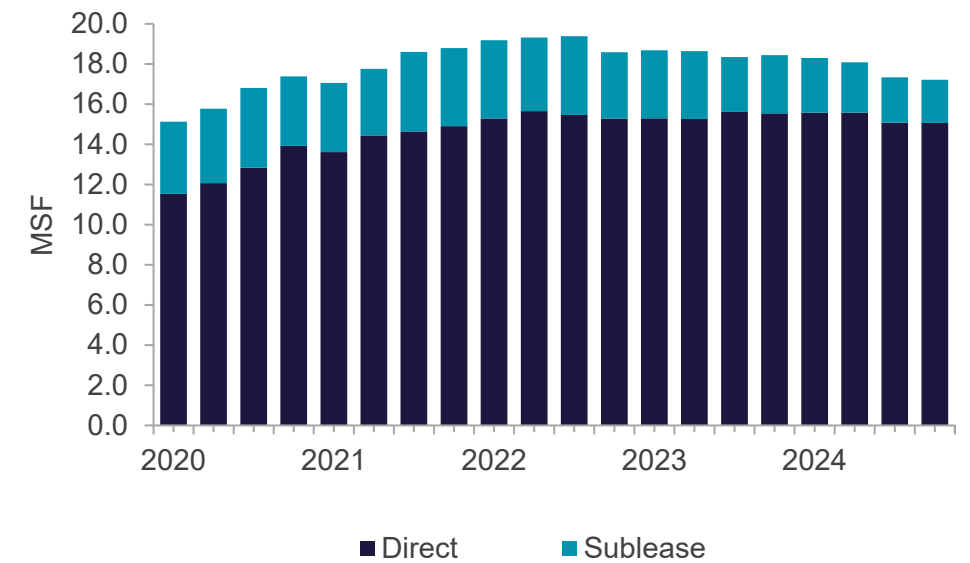
CALGARY OVERALL OFFICE MARKET:

The overall average net asking rate in the Calgary office market increased slightly to \$14.97 per square foot (psf) in Q4 2024 from \$14.91 psf at year-end 2023. The Central market recorded the strongest YOY rent growth, as rates increased to \$14.91 psf from \$14.84 psf in Q4 2023. Conversely, the overall average net rent in the Suburban market remained flat YOY, as overall demand stabilized in this market by the end of 2024.

Overall leasing activity declined by roughly 25% YOY, to total 4.1 million square feet (msf) at year-end 2024. The sharpest decline in market participation was recorded in the Central market, where leasing activity fell by 1.0 msf from year-end 2023 to total 2.8 msf at year-end 2024. Despite the overall stagnation in demand, Class A space in the Central market was continually favoured by tenants, as more than two-thirds of all transacted space was leased in Class A buildings, up slightly from Q4 2023.

Sublease activity proved to be a green-shoot for the Calgary market, as total sublet space leased in 2024 increased by 280 basis-points (bps) YOY, representing 17.4% of overall leasing activity, as tenants sought to secure lower sublease rates ahead of a new fiscal year. City-wide net positive absorption was recorded at 775k square feet (sf) at year-end 2024, an increase of 882k sf YOY.

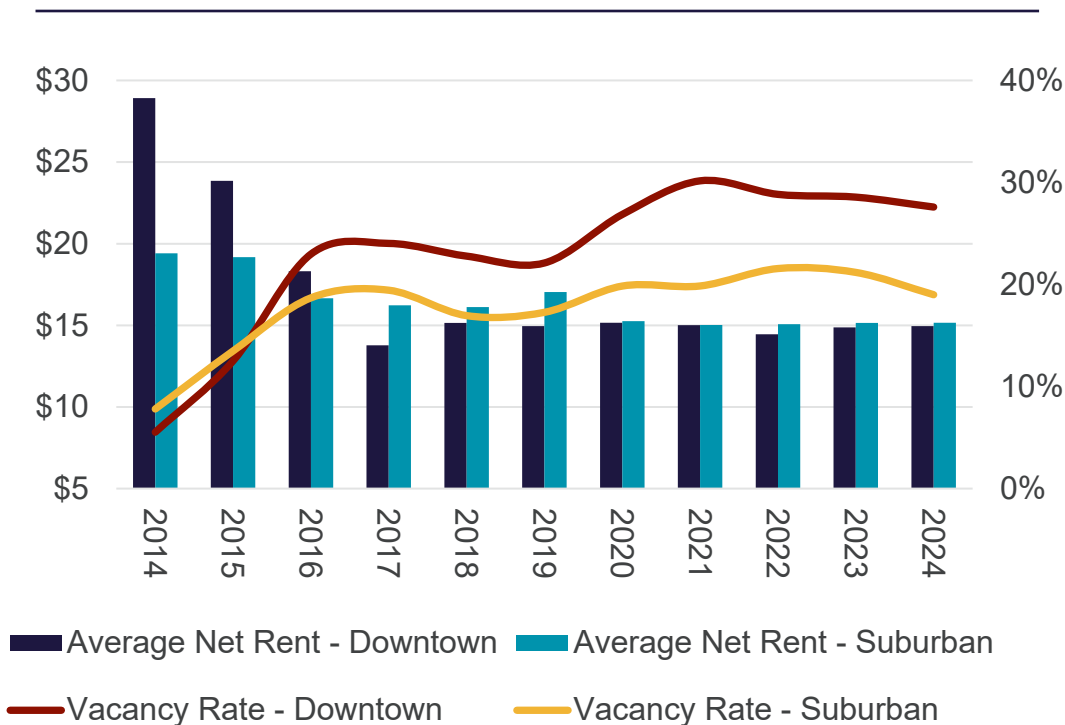
DIRECT VS. SUBLEASE VACANT SPACE



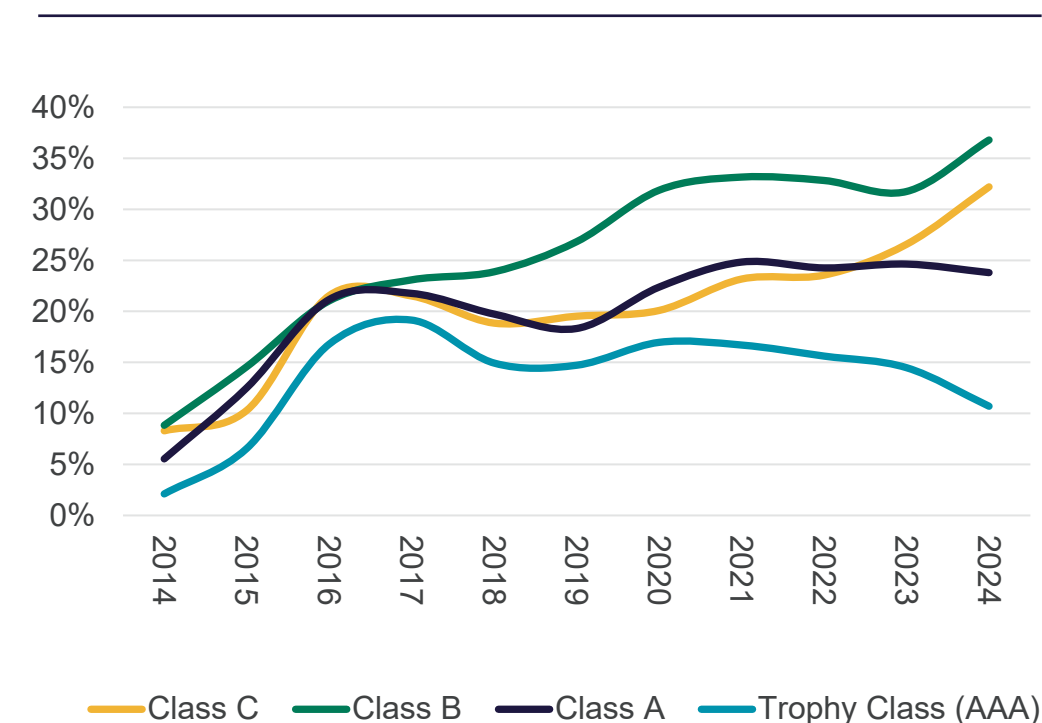
OVERALL VACANCY & ASKING RENT



HISTORICAL RENT VS. VACANCY



CENTRAL MARKET VACANCY BY CLASS



CENTRAL MARKET:

The overall average net rent in the Calgary downtown market recorded slight gains YOY, increasing to \$14.95 psf. The Class A average rate increased modestly to \$17.64 psf, while premium AAA & AA space netted greater rent growth this past quarter. Specifically, the average net rate in the Downtown AA market increased on average \$1.18 psf YOY to \$23.09 psf, out-performing the Class AAA segment. Continued demand for premium space was not enough to buoy overall asking rates in the fourth quarter; however, as availabilities at lower rates accounted for more of the overall vacancy and with decreased market activity, rent growth across the downtown markets was tempered by year-end 2024.

Vacancy declined by 140 bps YOY to 27.2% in the overall Central market, while the Beltline submarket recorded the largest YOY drop in vacancy at 410 bps to 24.8%. Leasing activity rebounded slightly by 120 bps QOQ to total 652k sf, while on a YOY basis overall activity slowed by 943k sf. From an annual perspective, the Central market recorded 2.8 msf of leased space in 2024, down 246 bps compared to 2023. Net positive absorption declined by 220k sf from last quarter to reach 92k sf in the fourth quarter, while annual 2024 net positive absorption was recorded at 520k sf.

SUBURBAN MARKET:

The overall Suburban average net rent declined by \$0.19 QOQ to \$15.16 psf, and while rent growth slowed in the fourth quarter, the average net rate remained largely flat YOY. The Northwest submarket recorded significant quarterly rent growth, increasing by \$0.29 psf to an average of \$14.91 psf. Demand for space in the larger Suburban market continued to increase, as overall vacancy dropped for the fifth consecutive quarter to 19.0% in Q4 2024. Further, the close of the year marked a 2.8 percentage point decline in Suburban office vacancy from the record high of 21.8% reported in the third quarter of 2021.

The composition of available space has fluctuated in the Suburban markets, with total sublease space increasing QOQ to 4.3% of total vacant space as tenants looked to resize operations ahead of the new year. Total space leased in the overall Suburban market nearly doubled to reach 433k sf QOQ, with 300k sf of that quarterly leasing activity reported in the Southeast Suburban submarket alone.

Tenants occupying space in the Suburban market contracted both on a quarterly and yearly basis. Net positive absorption was recorded at just 25k sf in the fourth quarter, down 130k sf QOQ. Just five tenants occupied space over 10k sf, with most moving into Class A buildings in the Southeast Suburban submarket. Additionally, more tenants, likely attracted by lowered asking rates, occupied space secured in Class B buildings in the fourth quarter.

OUTLOOK

- Leasing activity increased by 120 bps in the fourth quarter, marking future positive absorption for the Central market early in the new year. Whether market activity continues to increase quarterly in 2025 remains to be seen.
- The vacancy rate decline in the Calgary Central market is likely to persist in the short-term as additional rumoured conversion projects may be confirmed in the new year. However, with project timelines being pushed out by 1-2 years amid planning, capital, and construction issues, these roadblocks may delay bringing more converted buildings online near term.
- Amid continued geopolitical pressure and proposed tariffs to be enacted by the incoming U.S. administration, uncertainty remains for Calgary office occupiers, with the impact of any trade restrictions likely to slow local business growth and possibly translate into rightsizing efforts by companies in future quarters.

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	567,453	4,237,319	23.3%	-14,363	213,562	1,324,155	0	\$14.08	\$36.79
East Core	16,585,097	692,423	3,232,162	23.7%	176,416	69,468	729,424	0	\$20.81	\$41.32
West Core	6,606,295	610,512	2,723,229	50.5%	-9,075	120,423	326,016	0	\$9.23	\$32.97
DOWNTOWN SUBTOTAL	43,776,048	1,870,388	10,192,710	27.6%	152,978	403,453	2,379,595	0	\$14.95	\$38.09
Beltline	6,161,297	128,093	1,397,916	24.8%	-60,166	117,324	496,522	0	\$14.63	\$36.17
TOTAL CENTRAL AREA	49,937,345	1,998,481	11,590,626	27.2%	92,812	520,777	2,876,117	0	\$14.91	\$37.92
Northeast	5,118,166	38,682	972,752	19.8%	37,289	80,414	307,641	0	\$13.52	\$29.86
Northwest	2,182,849	34,829	240,311	12.6%	1,126	41,791	107,123	0	\$14.91	\$36.18
TOTAL NORTH AREA	7,301,015	73,511	1,213,063	17.6%	38,415	122,205	414,764	0	\$13.75	\$30.53
Southeast	8,341,085	67,504	1,640,548	20.5%	-11,328	121,892	622,619	0	\$16.30	\$32.33
Southwest	3,422,993	15,479	619,694	18.6%	-1,466	10,834	189,703	0	\$14.57	\$33.89
TOTAL SOUTH AREA	11,764,078	82,983	2,260,242	19.9%	-12,794	132,726	812,322	0	\$15.89	\$32.64
TOTAL SUBURBAN AREA	19,065,093	156,494	3,473,305	19.0%	25,621	254,931	1,227,086	0	\$15.16	\$32.12
CALGARY TOTALS	69,002,438	2,154,975	15,063,931	25.0%	118,433	775,708	4,103,203	0	\$14.97	\$33.08

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

KEY Q4 2024 LEASE TRANSACTIONS

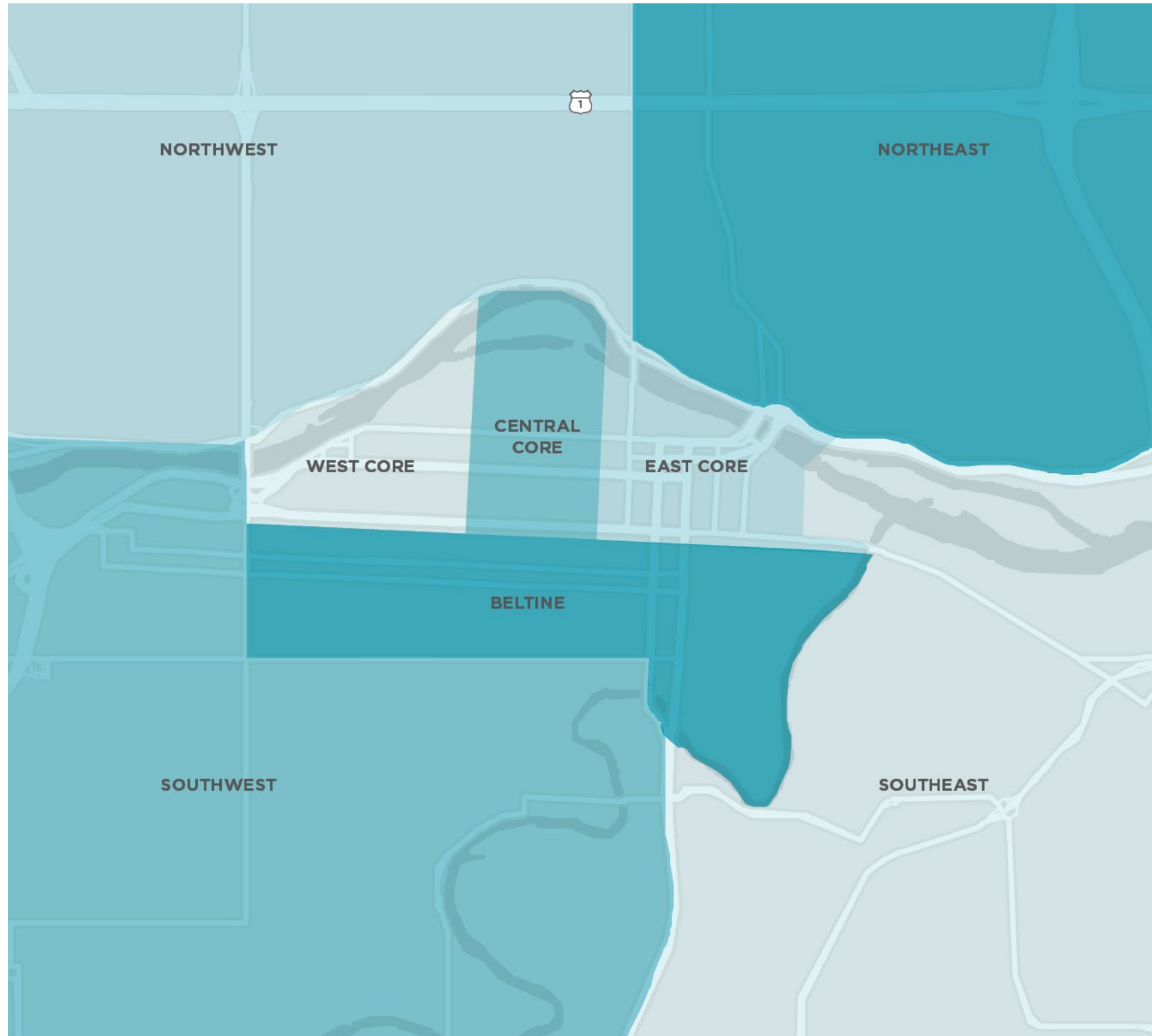
PROPERTY	SUBMARKET	TENANT	SF	TYPE*
Eight Avenue Place – East/ 525 8th Avenue SW	Central Core	Saturn Oil & Gas	73,530	Renewal
Vintage on 9/ 4124 9th Street SE	Southeast	Orpyx Medical Technologies	31,549	Headlease
Southland Park II/ 10333 Southport Road SW	Southwest	Alberta Infrastructure	30,000	Headlease
Penn West Plaza – West Tower/ 215 9th Avenue SW	East Core	Crowbourne	21,587	Headlease

*Renewals not included in leasing statistics

KEY Q4 2024 SALES TRANSACTIONS

PROPERTY	SUBMARKET	SELLER/BUYER	SF	PRICE / \$ PSF
635 8th Avenue/ 635 8th Avenue SW	Central Core	Cadillac Fairview/ Enright Capital	275,533	\$17M/\$61.00
Atrium I & II/ 839 5th Avenue SW – 840 6th Avenue SW	West Core	Slate Asset Management/ Astra Croup Corp	220,349	\$19M/\$84.83

OFFICE SUBMARKETS



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