



Calgary office market report

Q2 2024

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Class AA office activity continues to power the downtown market

Despite strong absorption amongst the top tier of office class, downtown vacancy remained relatively flat in Q2. Slower lease-up activity in the suburbs led to a second straight quarter of negative absorption.

26.0%

Downtown vacancy rate
down 1.3% from
Q2 2023

24.1%

Beltline vacancy rate
down 2.13% from
Q2 2023

17.6%

Suburban vacancy rate
up 0.54% from
Q2 2023

23.2%

Overall vacancy rate
down 0.83% from
Q2 2023

Summary of Q2 office market activity

Downtown

Vacancy in downtown Calgary increased by a marginal 0.1% from the previous quarter. On a year over year basis, however, the vacancy has decreased by a total of 1.3%.

Downtown experienced negative absorption amounting to 33,077 square feet (sf) for the quarter, which brings the year to date absorption to 461,582 square feet year to date. Negative absorption was observed across Class A, B, and C office classes, while positive absorption in the amount of 279,415 sf was recorded for Class AA.

Place 800, located at 800 6th Avenue SW was announced under Calgary's Downtown Incentivization Program as an office conversion.

Negative quarter in the Beltline

The Beltline experienced negative absorption of 71,828 sf and a 0.85% decrease in vacancy. Year-over-year, the vacancy rate has dropped by 2.13%. Despite positive activity in the Beltline, this submarket has struggled to gain momentum as many tenants relocate to either the downtown core or suburban areas for office space.

Suburban stagnate

Absorption in the suburbs was negative, totaling 218,151 sf, while the overall vacancy rate sits at 17.6%. This marks the second quarterly decrease for Calgary's suburban office market.

YTD absorption for entire market remains positive

The Calgary office market has shown encouraging signs of recovery with an overall absorption rate of 189,555 sf year to date. The market remains resilient and continues to diversify. Recent developments in the capital markets have bolstered optimism in the office market.

A reduction in the interest rate from 5.0% to 4.75%, in light of anticipated additional rate cuts, has created a more favorable environment for investment and development.

With these changes, stakeholders and investors remain optimistic, anticipating sustained growth and increased market activity in the coming months.

Calgary area office market trends

01

Best-in-class buildings are main market drivers

Class AA vacancy is approaching 10%, driven by a strong preference for high-quality office spaces with distinct amenities. Notably, East Village vacancy decreased by 8.7%, a substantial drop compared to Q1 2024. This was mainly caused by Cenovus reclaiming and withdrawing 392,000 sf in The Bow, which significantly impacted sublease availability in premier office segments.

The Central Core remains the preferred choice for tenants seeking quality office space. As vacancies decrease and the disparity between top-tier and other asset classes narrows, securing large block space in this quality-driven market is becoming increasingly challenging.

02

Successful Stampede showcases the city

The annual Calgary Stampede continues to attract numerous visitors to the city. This year, the event set a new attendance record with nearly 1.5 million participants, driven by population growth and increased migration to Alberta, which is projected to see a 9% increase over the next three years.

This influx of visitors and residents has provided Calgary a significant economic boost, enabling further development and expansion. Notable projects include the newly renovated BMO Centre and the Arts Commons building.

The popularity of the Calgary Stampede enhances the city's appeal as a desirable place to work, increasing the demand for high-quality office space as tenants seek premium leasing options throughout Calgary.

03

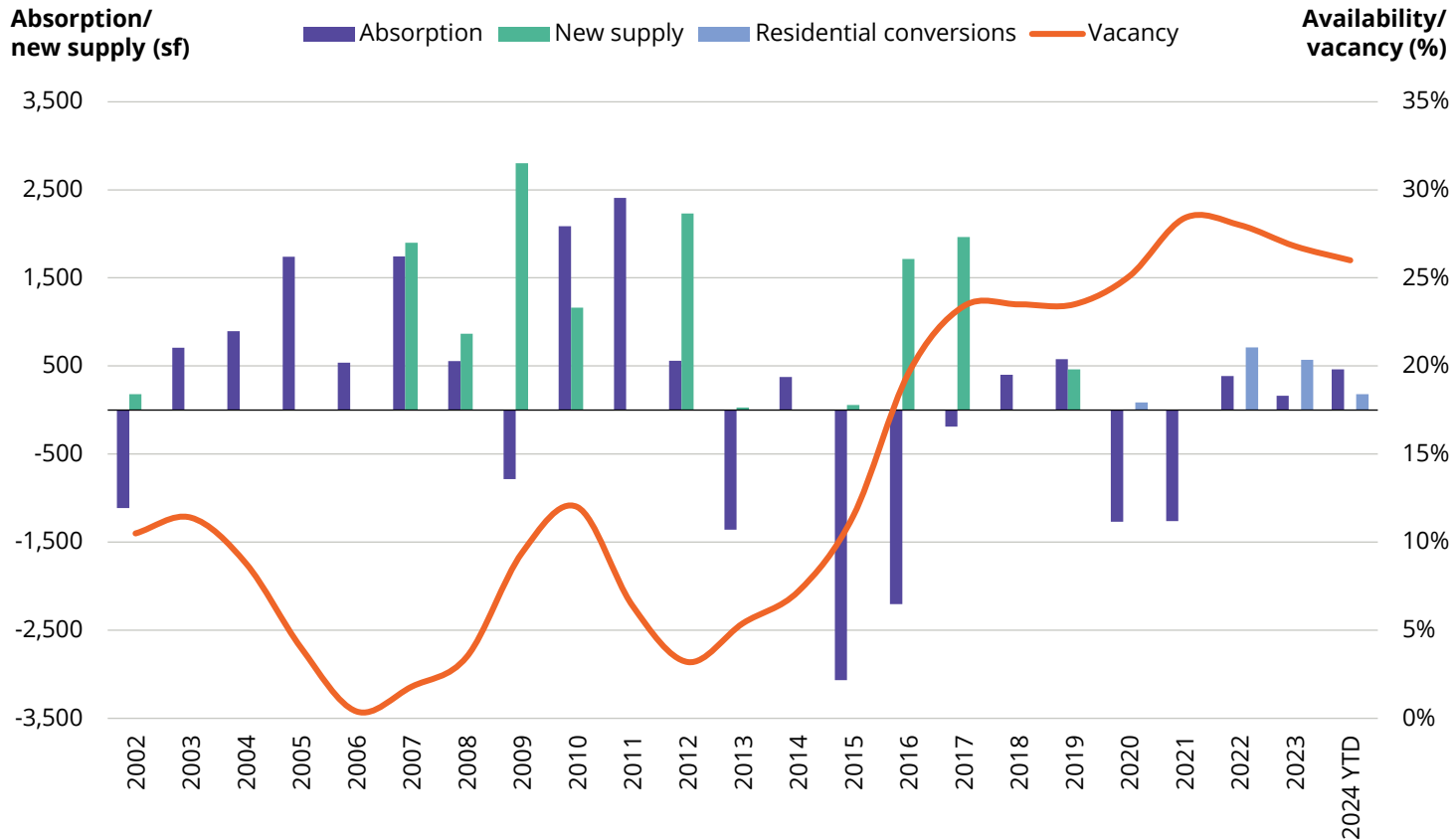
Conversion program continuing to expand

Under Calgary's Downtown Development Incentivization Program, several office-to-residential conversion projects are underway. The Cornerstone is the first completed project, adding 112 two and three-bedroom apartments to the west end of downtown, 70% of which are already leased.

Other significant projects, such as Eau Claire Place I & II and the Petrofina building, are progressing well and are scheduled for completion in the spring of 2025.

Downtown Calgary office market indicators

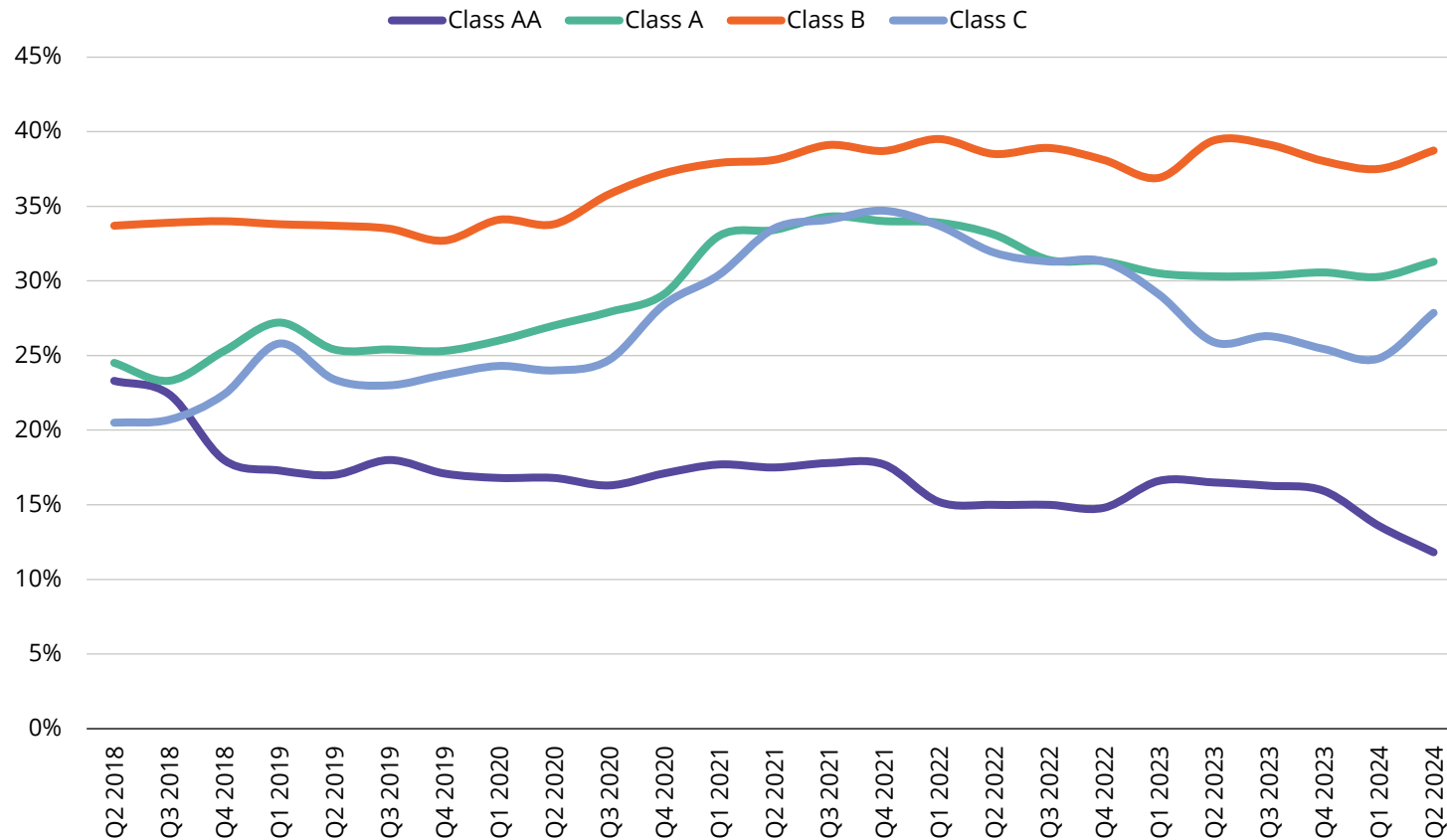
Historic office market trends



Overall downtown absorption remains positive year-over-year, while vacancy has continued to decrease.

Downtown vacancy (by class)

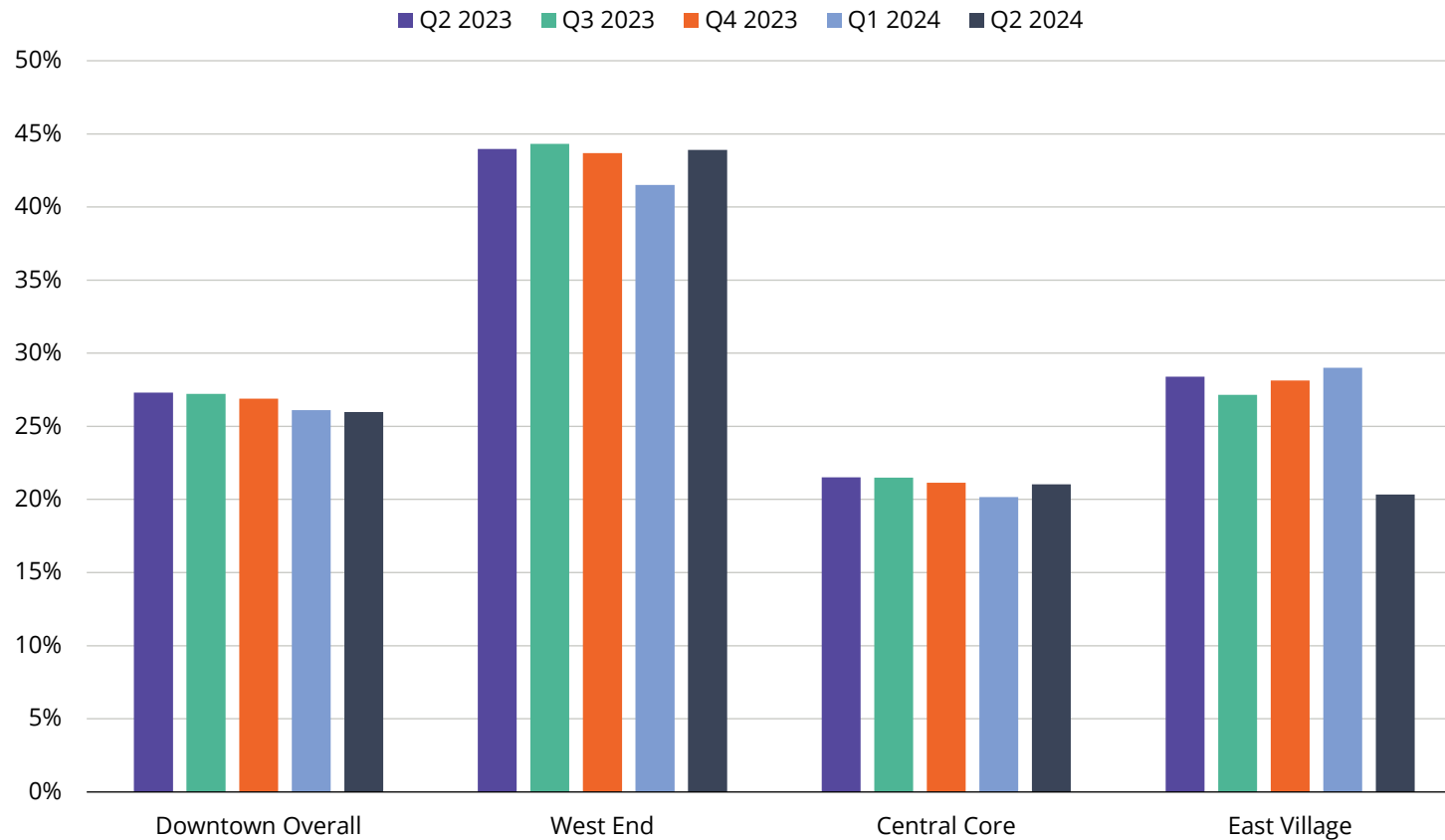
Vacancy rate by class in percent



Class AA vacancy saw a rate of 11.8% in Q2 2024. With all other classes experiencing vacancy increases, trophy properties continue to stand out.

Downtown by micromarket

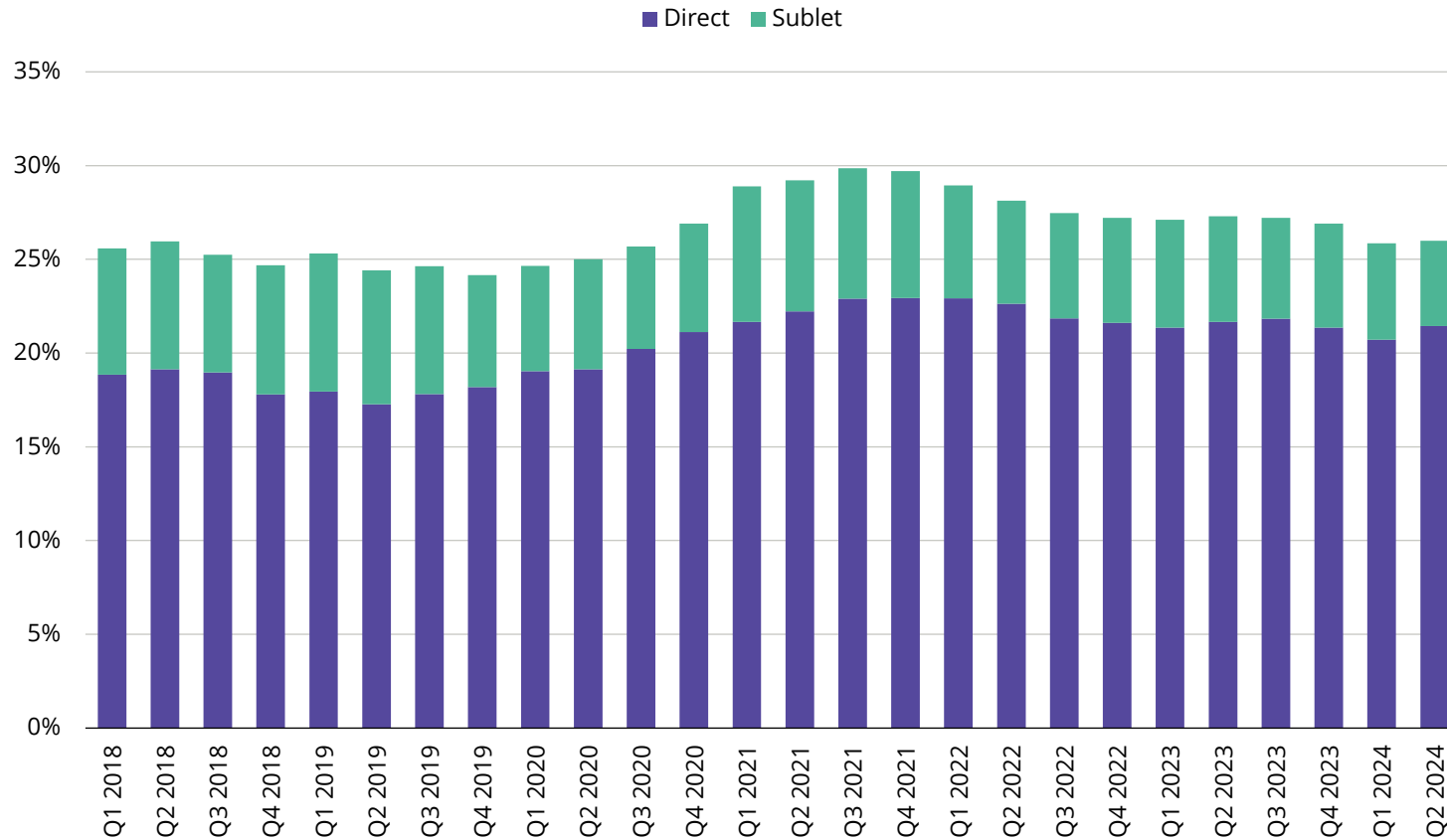
Vacancy rate by micromarket



A growing roster of residential conversions and a lower availability of sublet space contributed to a declining vacancy rate in Q2 2024.

Downtown office market indicators

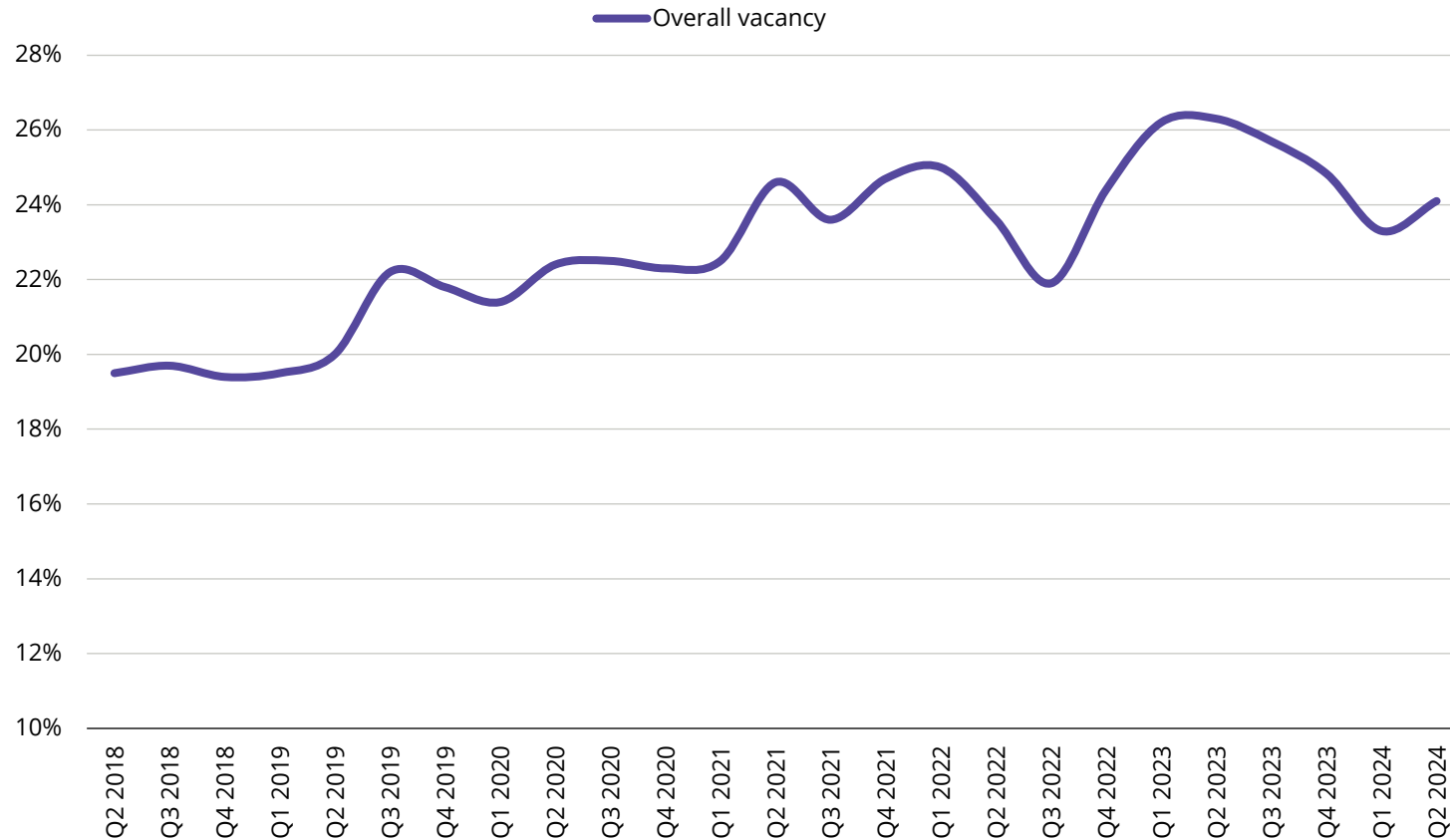
Direct and sublet vacancy in percent



Sublease space continues to tighten and has now dipped below 5% to 2.04 million sf of available space.

Beltline vacancy

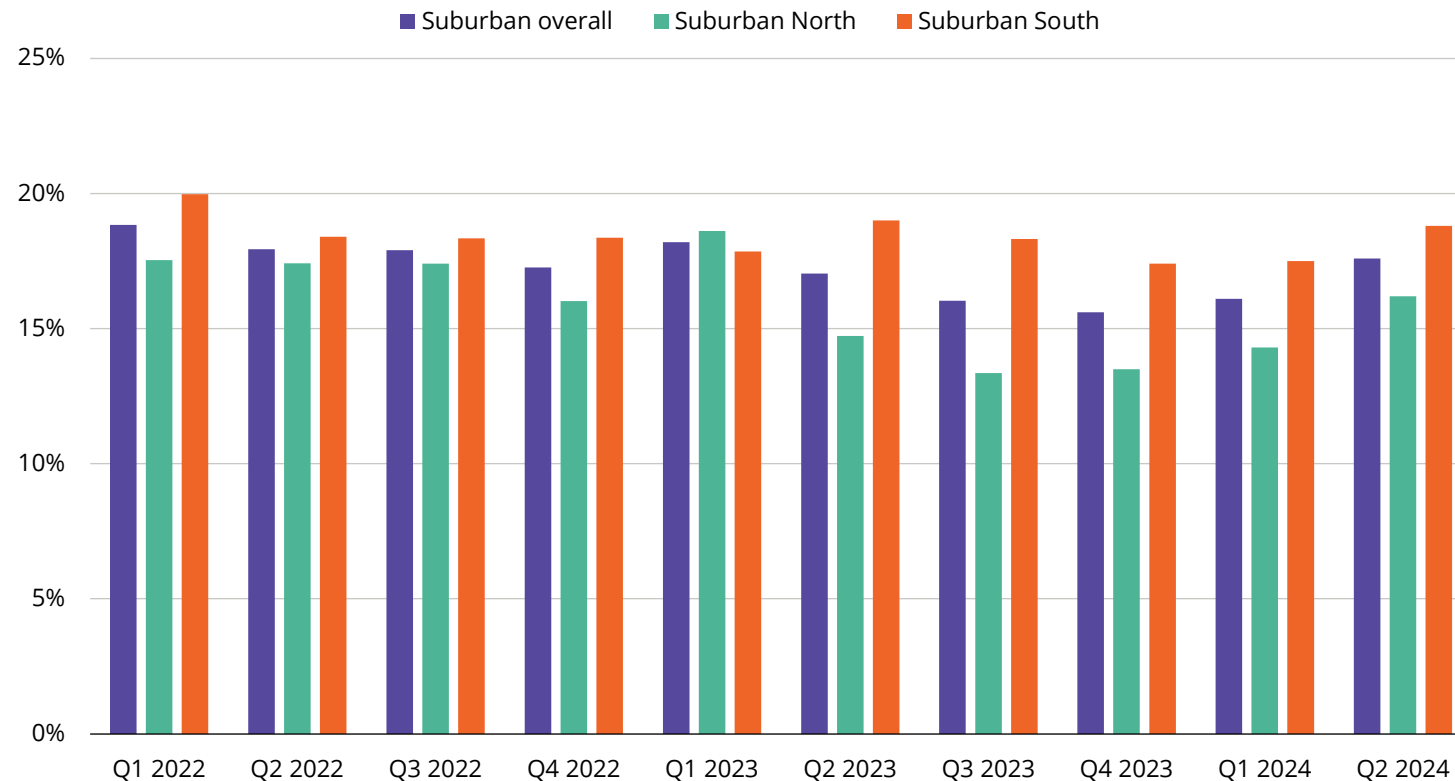
Vacancy rate in percent



The Beltline has struggled to make a meaningful decrease to the overall vacancy rate. Smaller pockets of availability and a lack of premium amenities are contributing factors.

Suburban vacancy

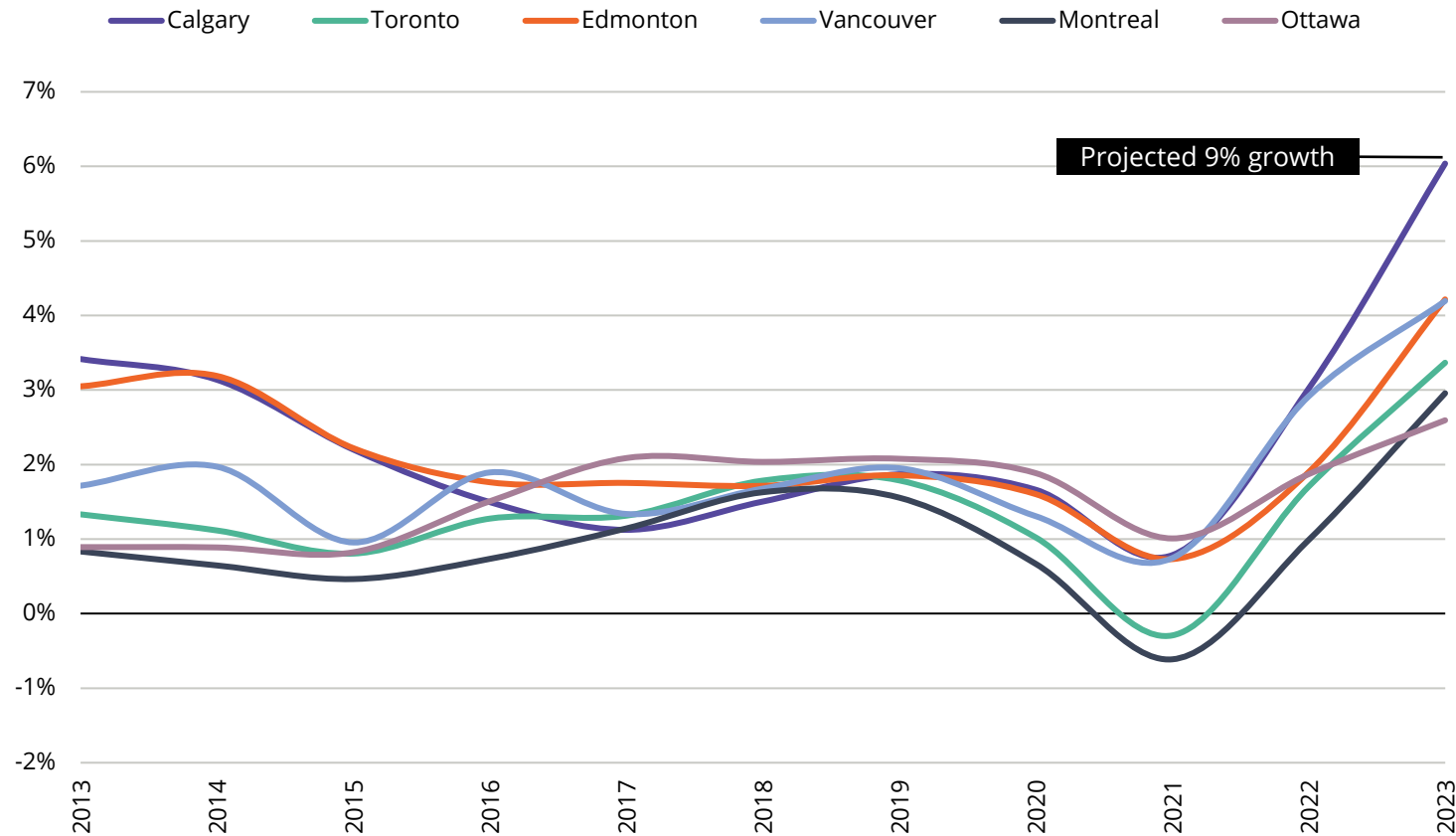
Vacancy rate in percent



Overall suburban vacancy has remained consistent for the past eight quarters. Suburban tenant preferences for location and convenience contribute to this stability.

Population growth across Canada's major markets

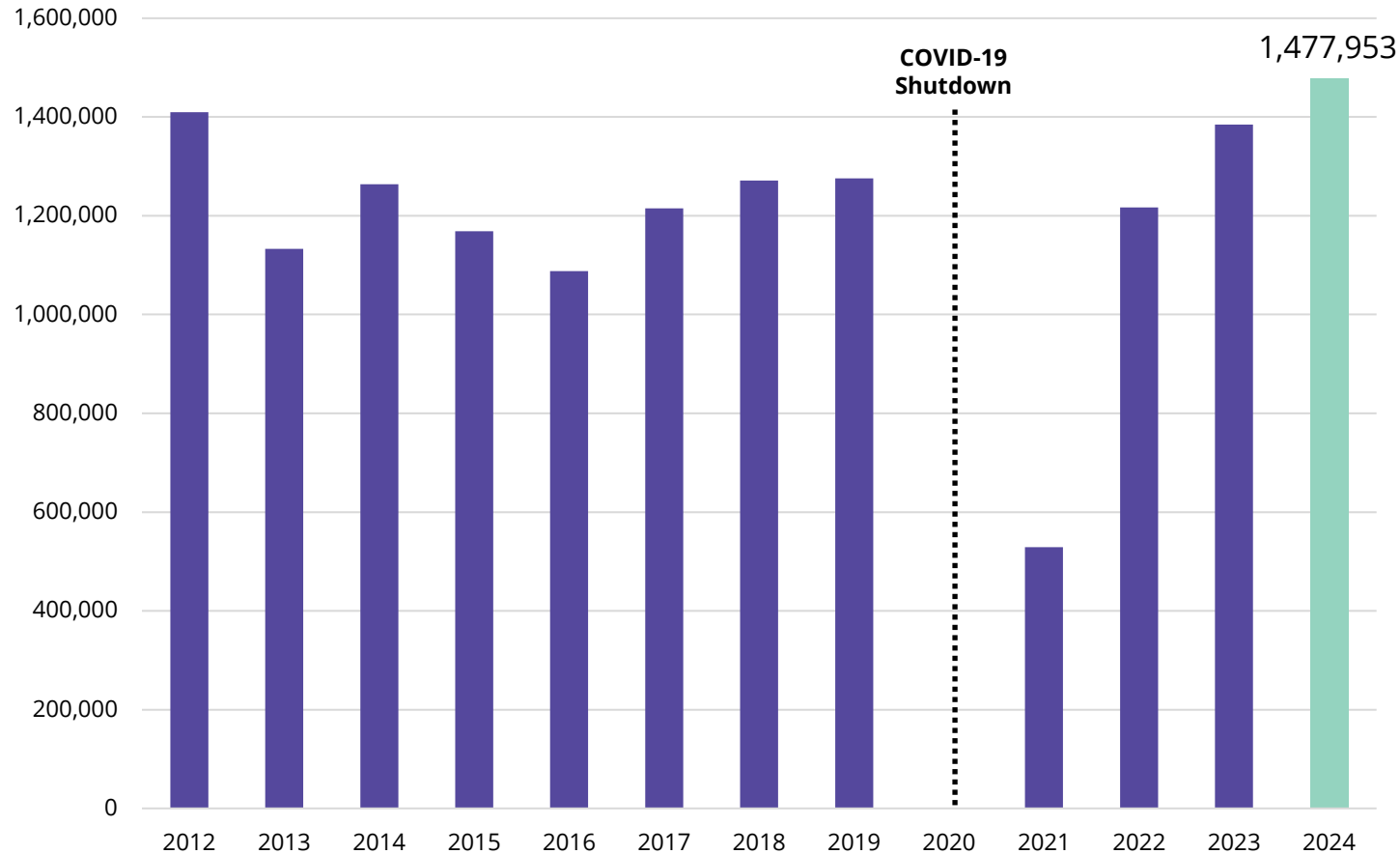
Percentage growth compared to Canada's largest markets



Projected to grow by 9% over the next three years, Calgary's population is set to reach 1.80 million by 2027, fueled by a thriving tech sector and attractive living costs.

Calgary Stampede

Attendance records over the 10-day event period



This year's Stampede saw both the highest ever cumulative attendance (1.47 million total attendees) and single visitors in one day (200,000 people).

Calgary area office market stats

	New supply (sf)	Inventory (sf)	Number of buildings	Headlease vacancy (sf)	Sublease vacancy (sf)	Total vacancy (sf)	Headlease vacancy rate	Sublease vacancy rate	Total vacancy rate	Occupancy (sf)	Absorption for quarter (sf)	Under construction (sf)
Downtown												
Class AA	0	15,381,587	19	1,133,102	685,342	1,818,444	7.4%	4.5%	11.8%	13,563,143	279,415	0
Class A	0	18,699,645	52	4,652,874	1,196,524	5,849,398	24.9%	6.4%	31.3%	12,850,247	-212,592	0
Class B	0	9,069,214	57	3,374,702	137,901	3,512,603	37.2%	1.5%	38.7%	5,556,611	-44,164	0
Class C	0	1,807,474	33	479,073	24,435	503,508	26.5%	1.4%	27.9%	1,303,966	-55,736	0
Total	0	44,957,920	161	9,639,751	2,044,202	11,683,953	21.4%	4.5%	26.0%	33,273,967	-33,077	0
Beltline												
Class A	0	3,168,422	31	674,406	107,263	781,669	21.3%	3.4%	24.7%	2,386,753	-50,089	0
Class B	0	3,627,251	61	927,605	109,440	1,037,045	25.6%	3.0%	28.6%	2,590,206	-20,992	0
Class C	0	1,664,958	27	220,452	2,634	223,086	13.2%	0.2%	13.4%	1,441,872	-747	0
Total	0	8,460,631	119	1,822,463	219,337	2,041,800	21.5%	2.6%	24.1%	6,418,831	-71,828	0
Suburban North												
Class A	0	6,605,961	89	1,077,228	125,877	1,203,105	16.3%	1.9%	18.2%	5,402,856	10,358	192,389
Class B	0	3,058,390	61	333,700	32,560	366,260	10.9%	1.1%	12.0%	2,692,130	-49,066	0
Class C	0	1,432,204	35	217,781	6,099	223,880	15.2%	0.4%	15.6%	1,208,324	-16,380	0
Total	0	11,096,555	185	1,628,709	164,536	1,793,245	14.7%	1.5%	16.2%	9,303,310	-55,088	192,389
Suburban South												
Class A	0	9,915,632	123	1,942,717	61,710	2,004,427	19.6%	0.6%	20.2%	7,911,205	-113,981	0
Class B	0	2,076,390	41	311,996	11,215	323,211	15.0%	0.5%	15.6%	1,753,179	-9,095	0
Class C	0	1,056,800	23	111,337	9,945	121,282	10.5%	0.9%	11.5%	935,518	-37,468	0
Total	0	13,048,822	187	2,366,050	82,870	2,448,920	18.1%	0.6%	18.8%	10,599,902	-160,544	0
Calgary total												
Class A	0	53,771,247	314	9,480,327	2,176,716	11,657,043	17.6%	4.0%	21.7%	42,114,204	-86,889	192,389
Class B	0	17,831,245	220	4,948,003	291,116	5,239,119	27.7%	1.6%	29.4%	12,592,126	-123,317	0
Class C	0	5,961,436	118	1,028,643	43,113	1,071,756	17.3%	0.7%	18.0%	4,889,680	-110,331	0
Total	0	77,563,928	652	15,456,973	2,510,945	17,967,918	19.9%	3.2%	23.2%	59,596,010	-320,537	192,389

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