

Calgary office market report

Q3 2024

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Strong quarter for office leasing

Positive leasing activity was recorded across Calgary's office submarkets in Q3 2024. Downtown led the way with over 200,000 square feet (sf) of positive absorption, the majority of which was in class AA office space.

24.5%

Downtown vacancy rate

204,948 sf absorption

19.6%

Beltline vacancy rate

90,286 sf absorption

16.9%

Suburban vacancy rate

11,313 sf absorption

21.6%

Overall vacancy rate

306,547 sf absorption

Q3 office market activity

Downtown

The Downtown office market saw positive absorption of 204,948 sf in Q3 2024, bringing the vacancy rate down to 24.5%. Most of the leasing activity occurred in class AA office spaces, which accounted for 135,147 sf of the total absorption. The A class market also performed well, with 58,597 sf absorbed. There was minimal activity in the class B and C markets.

With the class AA market driving most of the activity, efforts to reposition stagnant class A and B properties through capital improvements have continued. Additionally, the next round of funding for residential conversion was approved by City Council, providing a new pool of incentive funding for residential conversions. It's expected that several new residential conversion projects will be subsequently announced.

There is an overall trend towards a steady decline in the availability of sublet space, with the sublease rate now sitting at 3.8%. This is another indicator of strong demand for top-tier office spaces, along with limited availability for built-out spaces that can be occupied on short notice.

Beltline

The Beltline office market recorded 90,286 sf of positive absorption in Q3 2024. Leasing activity was strong, particularly in class A and B spaces, which saw 36,179 and 39,627 sf absorbed, respectively. The Beltline has shown marginal improvement in 2024 as the area strives to compete with Downtown.

Suburbs

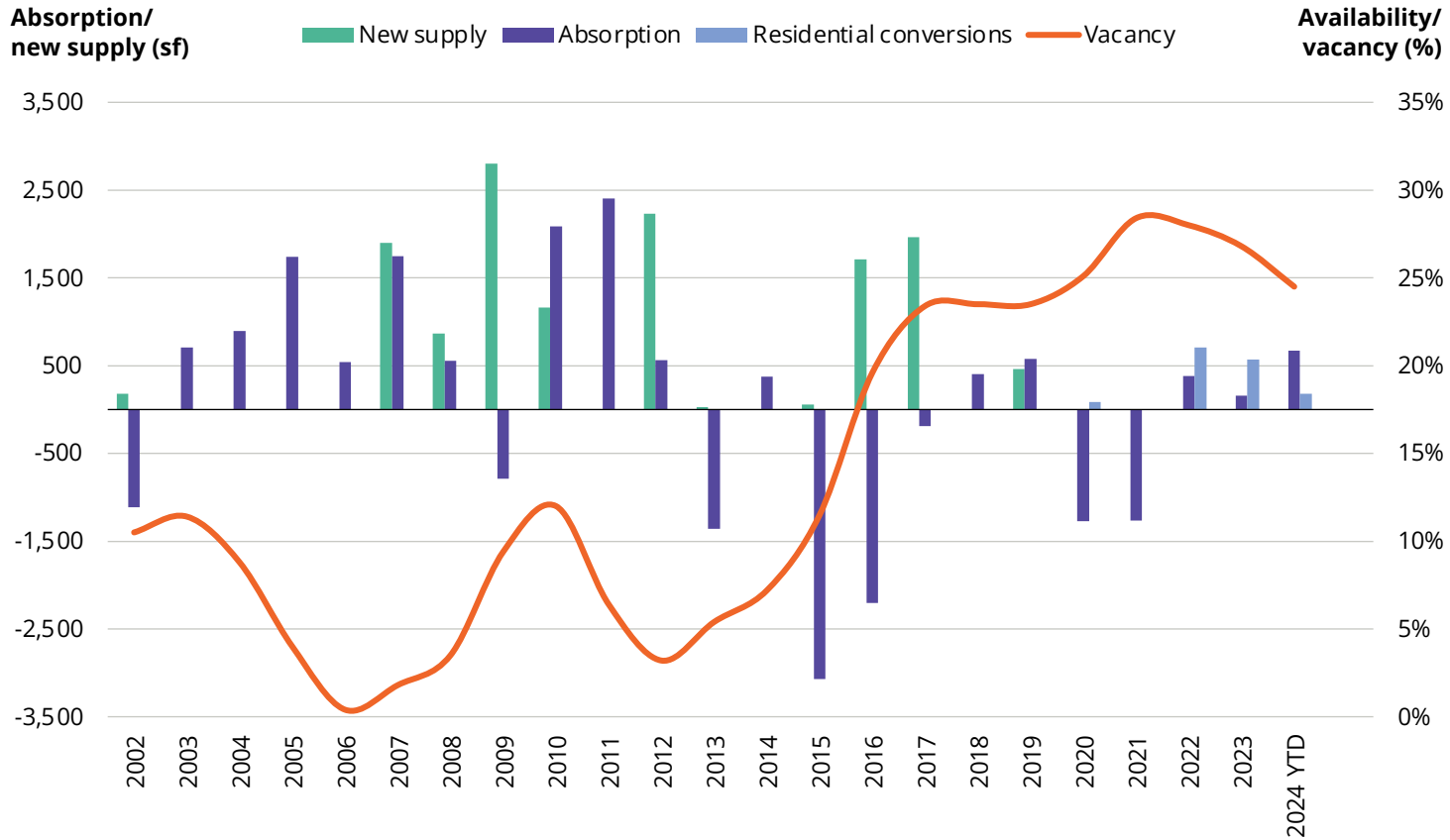
The suburban office market in Calgary recorded an overall vacancy rate of 16.9% with an absorption of 11,313 sf in Q3 2024. Leasing activity was more robust in the Suburban North, with 35,759 sf absorbed, compared to a negative absorption of 24,446 sf in the Suburban South. The suburban markets remain stable, with less fluctuation in vacancy rates compared to Downtown, and continue to attract tenants looking for office spaces outside the core city areas.

Calgary and Region

Calgary is experiencing a period of incredible growth, fueled by a massive influx of new residents. The search for affordability, flexibility, and lifestyle has driven many Canadians to relocate to Alberta, evidenced by domestic migration numbers that lead the country. Additionally, with the country welcoming half a million new immigrants per year through 2026, it is expected that new benchmarks for population growth will be reached soon. Calgary's labor market improvements help navigate the current economic slowdown with minimal impact, allowing for a 1.9% GDP growth this year, outpacing national growth rates. However, even with this strong job growth, the unemployment rate is expected to increase due to the rapid population growth in the area.

Downtown Calgary office market indicators

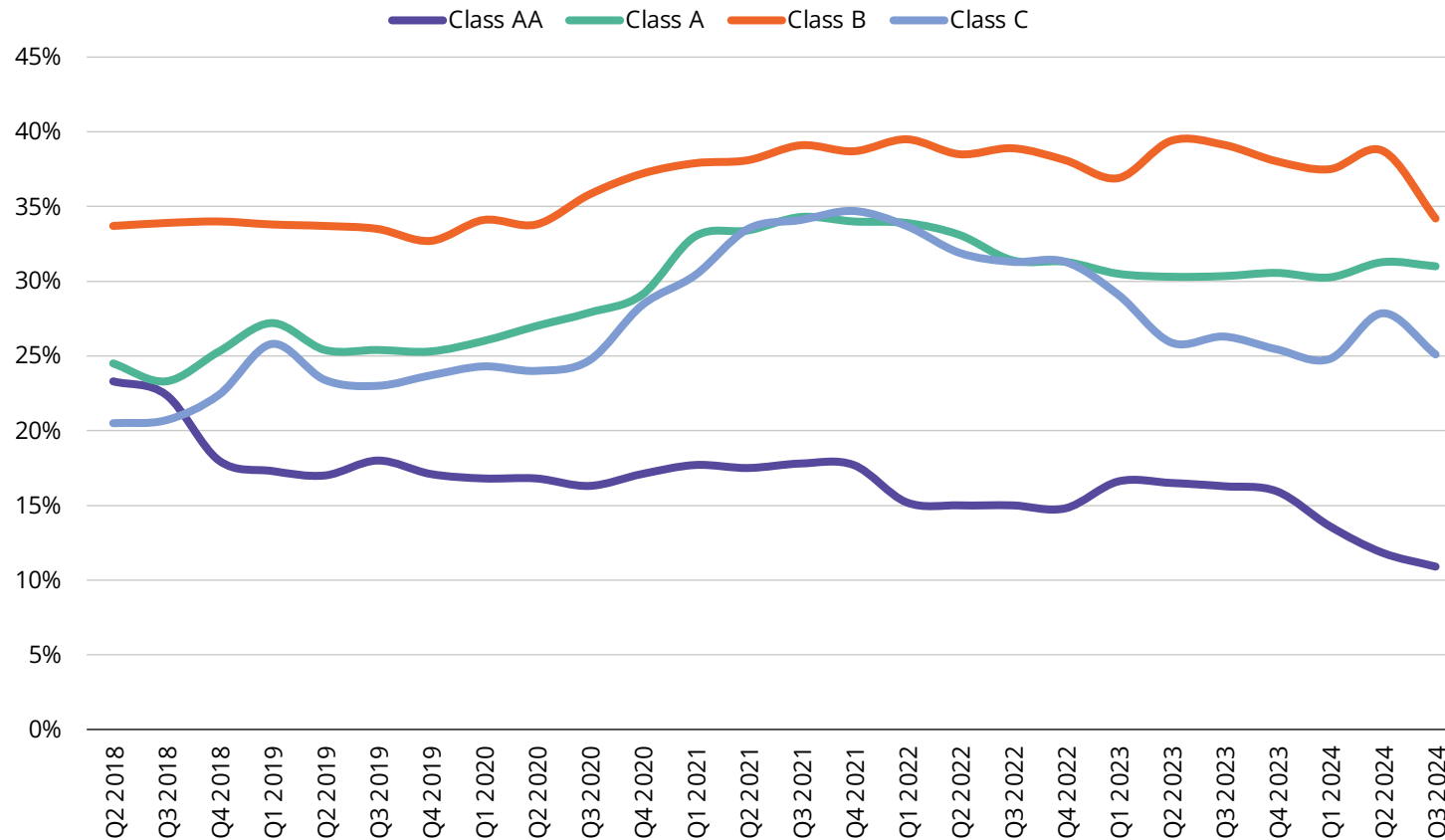
Historic office market trends



Year-to-date absorption for Downtown has passed 670,000 sf, a high not seen since 2018.

Downtown vacancy (by class)

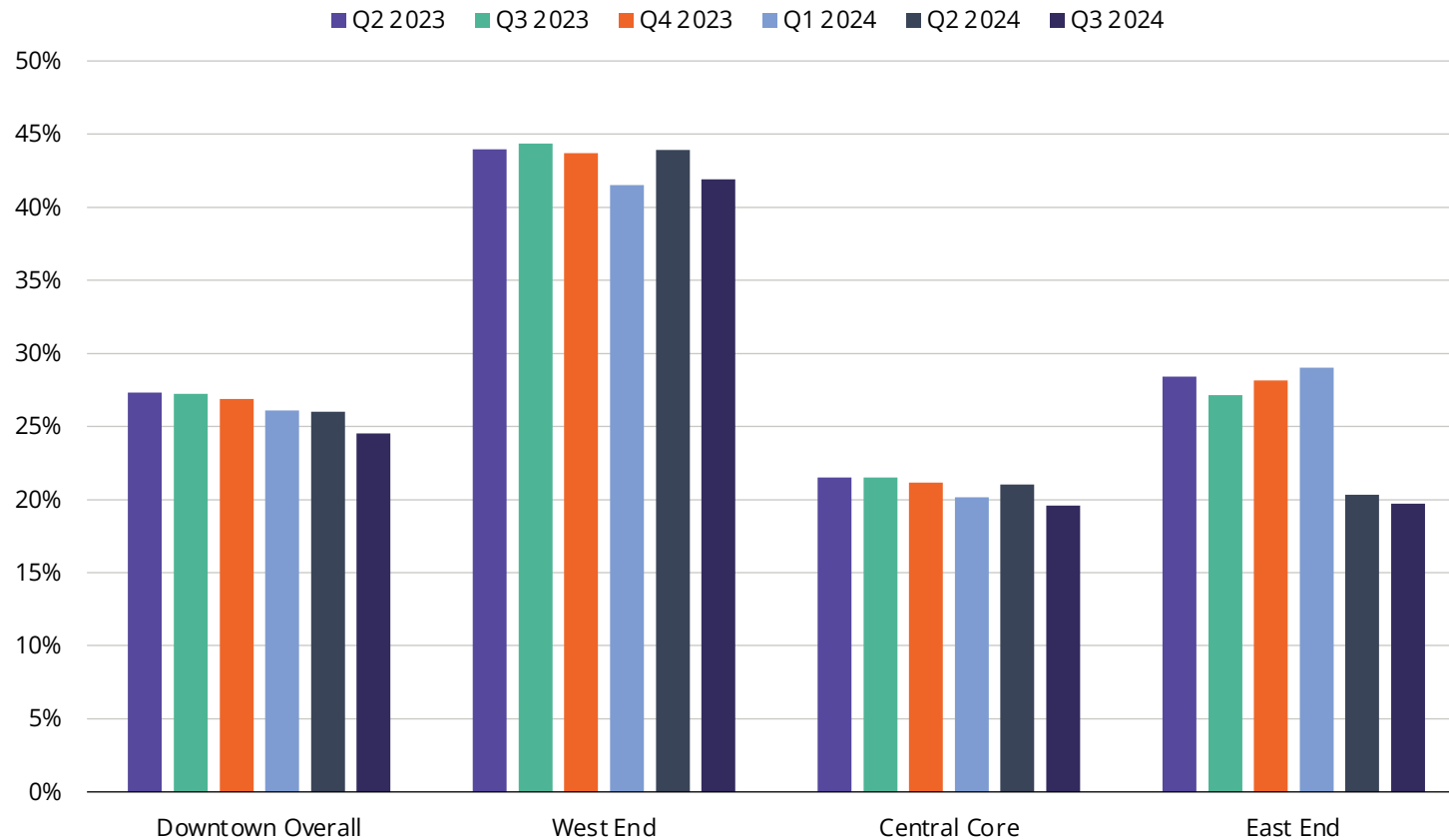
Vacancy rate by class in percent



The divide between class AA properties and other classes continues to provide strong evidence of office bifurcation in the market.

Downtown by micromarket

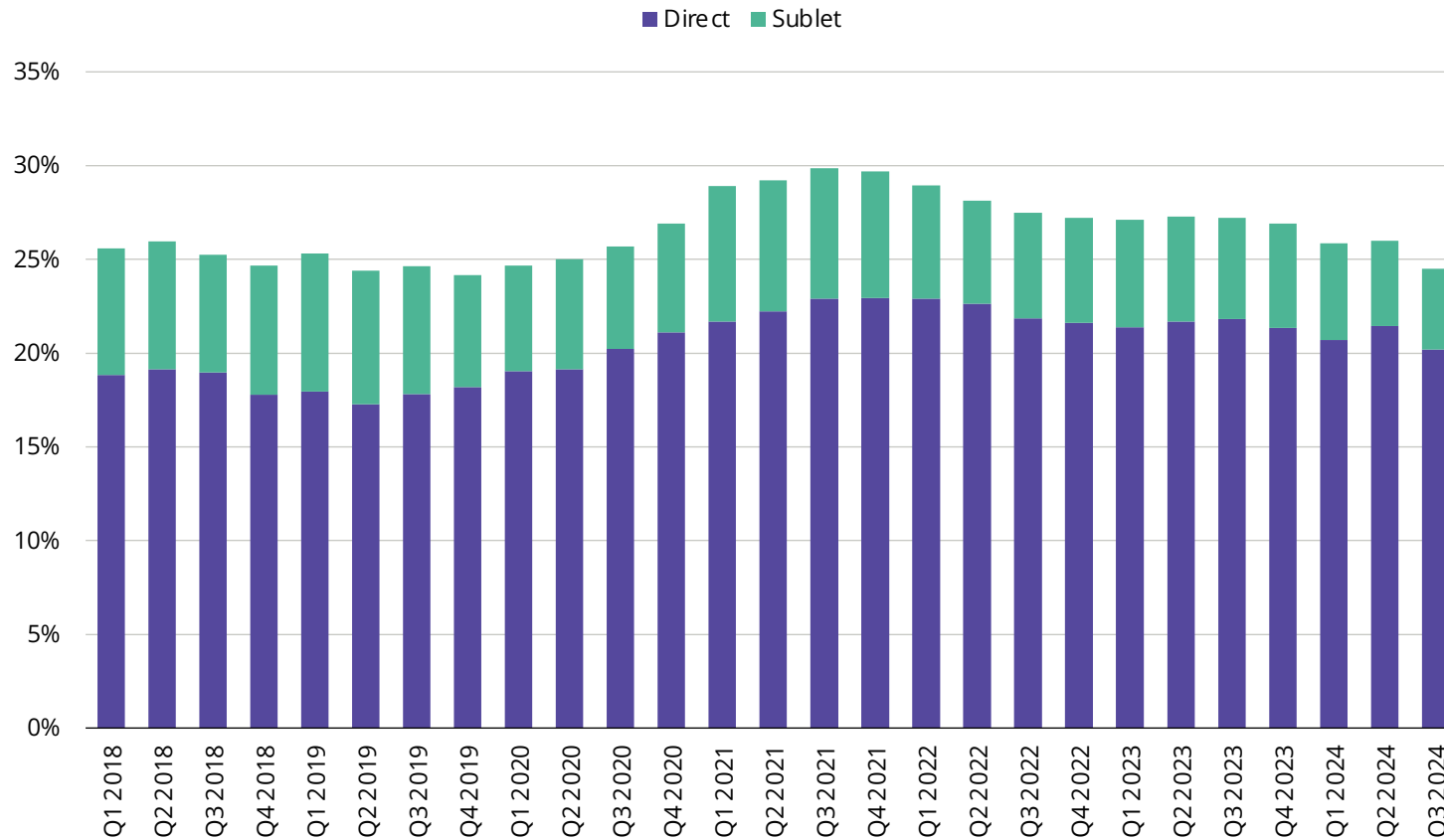
Vacancy rate by micromarket



The Central Core and East End remain the preferred downtown locations for businesses to locate. Residential conversion efforts are mainly focused in the West End.

Downtown office market indicators

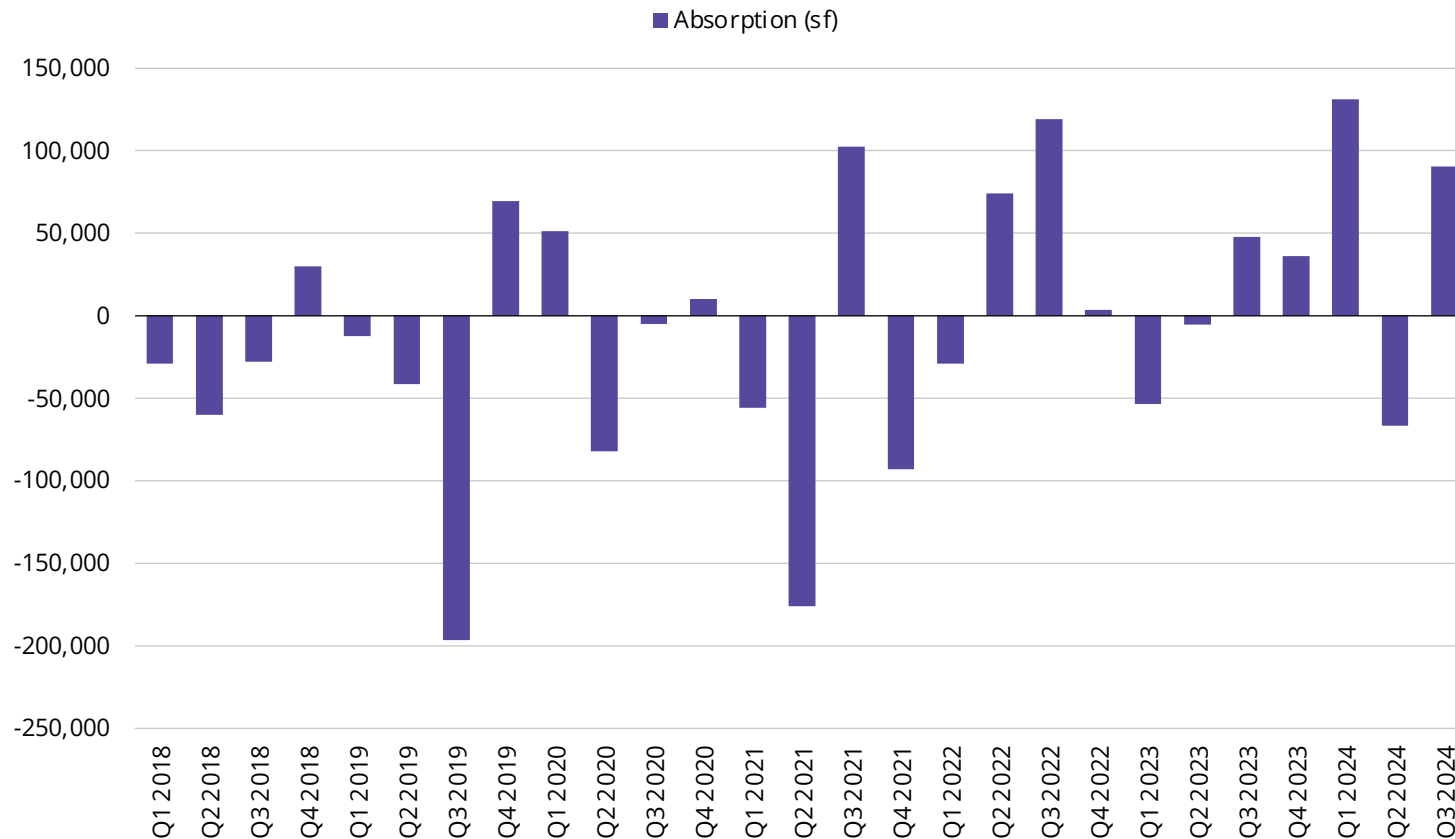
Direct and sublet vacancy in percent



Downtown sublet vacancy rates have shrunk to 4.3%. Several large sublease expirations have occurred this year, contributing to this decrease.

Beltline office market indicators

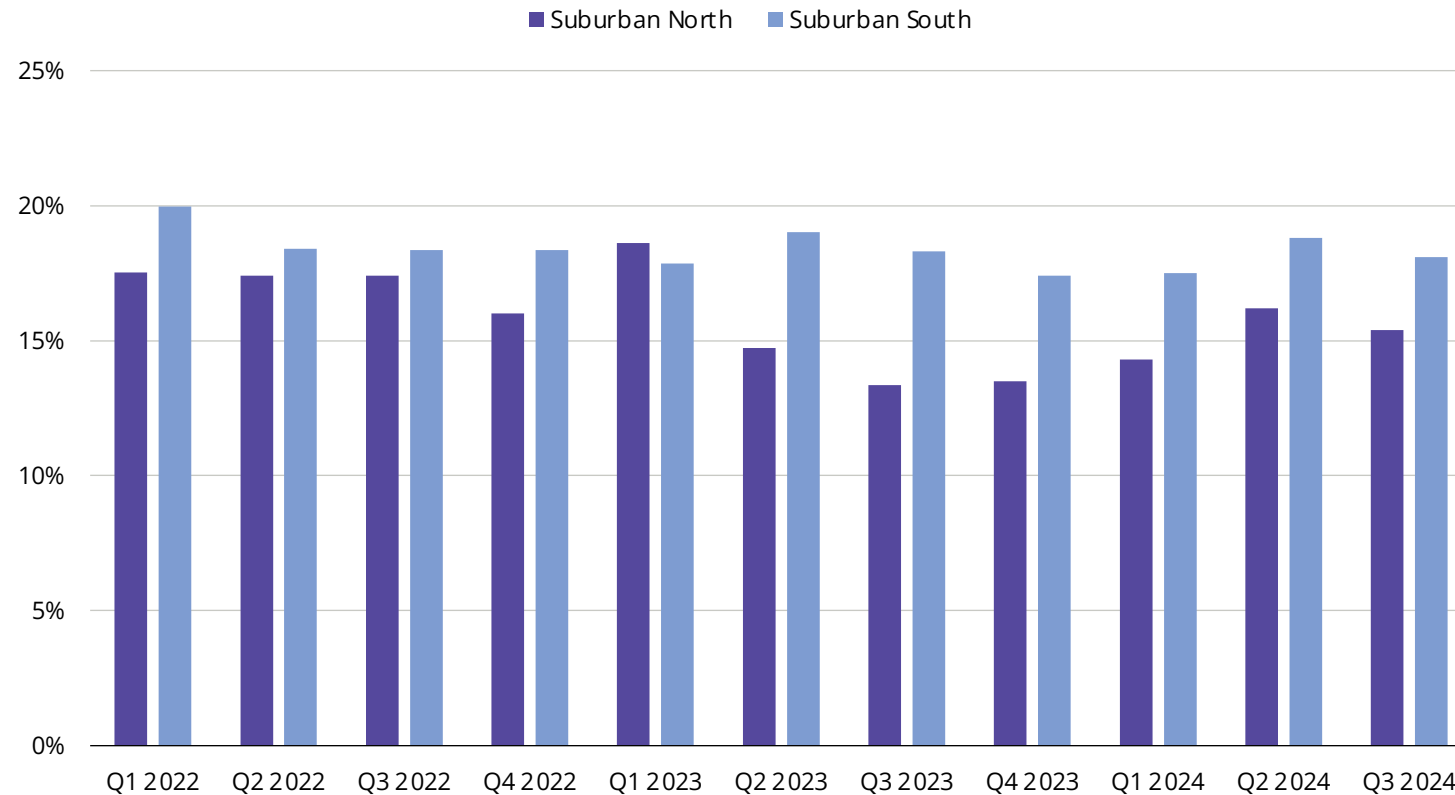
Historical absorption in the Beltline



Net absorption in the Beltline has varied over the past decade. Many office properties lack space for the onsite amenities and parking needed to compete with Downtown.

Suburban vacancy

Vacancy rate in percent



A model of consistency, suburban office vacancy rates in Calgary have avoided the large fluctuations of Downtown. The Suburban South vacancy rate is at 18.1%, while Suburban North sits at 15.4%.

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	1,102,013	581,284	1,683,297	7.2%	3.8%	10.9%	13,698,290	135,147	0
Class A	0	18,699,645	52	4,600,256	1,190,545	5,790,801	24.6%	6.4%	31.0%	12,908,844	58,597	0
Class B	0	9,075,385	57	2,958,546	141,757	3,100,303	32.6%	1.6%	34.2%	5,975,082	-3,609	0
Class C	0	1,807,474	33	437,868	15,254	453,122	24.2%	0.8%	25.1%	1,354,352	14,813	0
Total	0	44,964,091	161	9,098,683	1,928,840	11,027,523	20.2%	4.3%	24.5%	33,936,568	204,948	0
Beltline												
Class A	0	3,168,422	31	625,132	97,379	722,511	19.7%	3.1%	22.8%	2,445,911	36,179	0
Class B	0	3,627,251	61	650,745	76,857	727,602	17.9%	2.1%	20.1%	2,899,649	39,627	0
Class C	0	1,664,958	27	203,834	2,634	206,468	12.2%	0.2%	12.4%	1,458,490	14,480	0
Total	0	8,460,631	119	1,479,711	176,870	1,656,581	17.5%	2.1%	19.6%	6,804,050	90,286	0
Suburban North												
Class A	0	6,605,961	89	1,026,493	93,097	1,119,590	15.5%	1.4%	16.9%	5,486,371	53,397	192,389
Class B	0	3,058,390	61	374,339	30,941	405,280	12.2%	1.0%	13.3%	2,653,110	-41,979	0
Class C	0	1,432,204	35	181,457	6,099	187,556	12.7%	0.4%	13.1%	1,244,648	24,341	0
Total	0	11,096,555	185	1,582,289	130,137	1,712,426	14.3%	1.2%	15.4%	9,384,129	35,759	192,389
Suburban South												
Class A	0	9,915,632	123	1,898,278	59,272	1,957,550	19.1%	0.6%	19.7%	7,958,082	-58,436	0
Class B	0	2,076,390	41	302,654	6,417	309,071	14.6%	0.3%	14.9%	1,767,319	3,856	0
Class C	0	1,056,800	23	83,787	7,361	91,148	7.9%	0.7%	8.6%	965,652	30,134	0
Total	0	13,048,822	187	2,284,719	73,050	2,357,769	17.5%	0.6%	18.1%	10,691,053	-24,446	0
Calgary Total												
Class A	0	53,771,247	314	9,252,172	2,021,577	11,273,749	17.2%	3.8%	21.0%	42,497,498	224,884	192,389
Class B	0	17,837,416	220	4,286,284	255,972	4,542,256	24.0%	1.4%	25.5%	13,295,160	-2,105	0
Class C	0	5,961,436	118	906,946	31,348	938,294	15.2%	0.5%	15.7%	5,023,142	83,768	0
Total	0	77,570,099	652	14,445,402	2,308,897	16,754,299	18.6%	3.0%	21.6%	60,815,800	306,547	192,389

For more market insights and information visit **avisonyoung.ca**

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