



Calgary office market report

Q3 2023

**AVISON
YOUNG**

Calgary office market fundamentals

27.2%

Downtown overall vacancy rate
Down -0.1% from the previous quarter

25.7%

Beltline overall vacancy rate
Down -0.6% from the previous quarter

16.0%

Suburban overall vacancy rate
Down -1.0% from the previous quarter

34,019

Square feet of downtown absorption
Q3 2023

47,836

Square feet of beltline absorption
Q3 2023

240,459

Square feet of suburban absorption
Q3 2023

What's the scoop?

Alberta migration accelerates

In what has been a record setting year for net migration to the province, the local office market is poised to benefit from the influx of new residents. Demand for office space is projected to rise with business looking to take advantage of the 184,400 people our province has welcomed so far in 2023. Job postings have risen sharply, many with "in-person" requirements.

While Calgary's office market is distinctively driven by the energy sector, many adjacent industries, such as engineering firms and the tech sector will also benefit from the injection of new talent to the labour pool. With large pools of investment going towards clean energy technologies, the distinction between tech and energy is becoming more arbitrary in Calgary. These local factors continue to shape a unique trajectory for the city's office market, positioning it for growth and transformation in the coming years.

Positive course correction in Q3

Calgary's downtown office market exhibited signs of a positive shift after minimal growth in first half of the year. Positive absorption of 34,019 square feet was recorded this quarter, bringing year-to-date absorption to 40,951 square feet. Downtown vacancy dropped slightly to 27.2%.

The suburban market performed well in the third quarter with 240,459 square feet of positive absorption, offsetting negative absorption through the first half of the year. Suburban office has continued to display adaptability and appeal. The suburban vacancy rate currently stands at 16%.

Our point of view.

Overall, these Q3 results signal a positive step forward for Calgary's office market, marked by increased absorption rates across various submarkets. While challenges persist, macro-economic forces continue to work in Calgary's favour.



Office market trends

01

Construction pricing buoying AA space rents and vacancy

AA space continues to see a lot of competition with turnkey spaces challenging to find. While this segment of the office market experiences relatively low vacancy rates, the competition hasn't translated into significant absorption or a major decline in vacancy. The reason behind this are high construction costs. Many occupiers are deciding that staying put and paying higher rent is still the cheaper option compared to moving.

02

Energy sector remains main driver

When looking at leasing activity by industry through the past year, most of the activity was attributed to the energy and engineering sectors. This demonstrates that the energy sector and its affiliated support industries continue to be the main driver of Calgary's office activity, although historically speaking, the overall share of these two sectors has decreased.

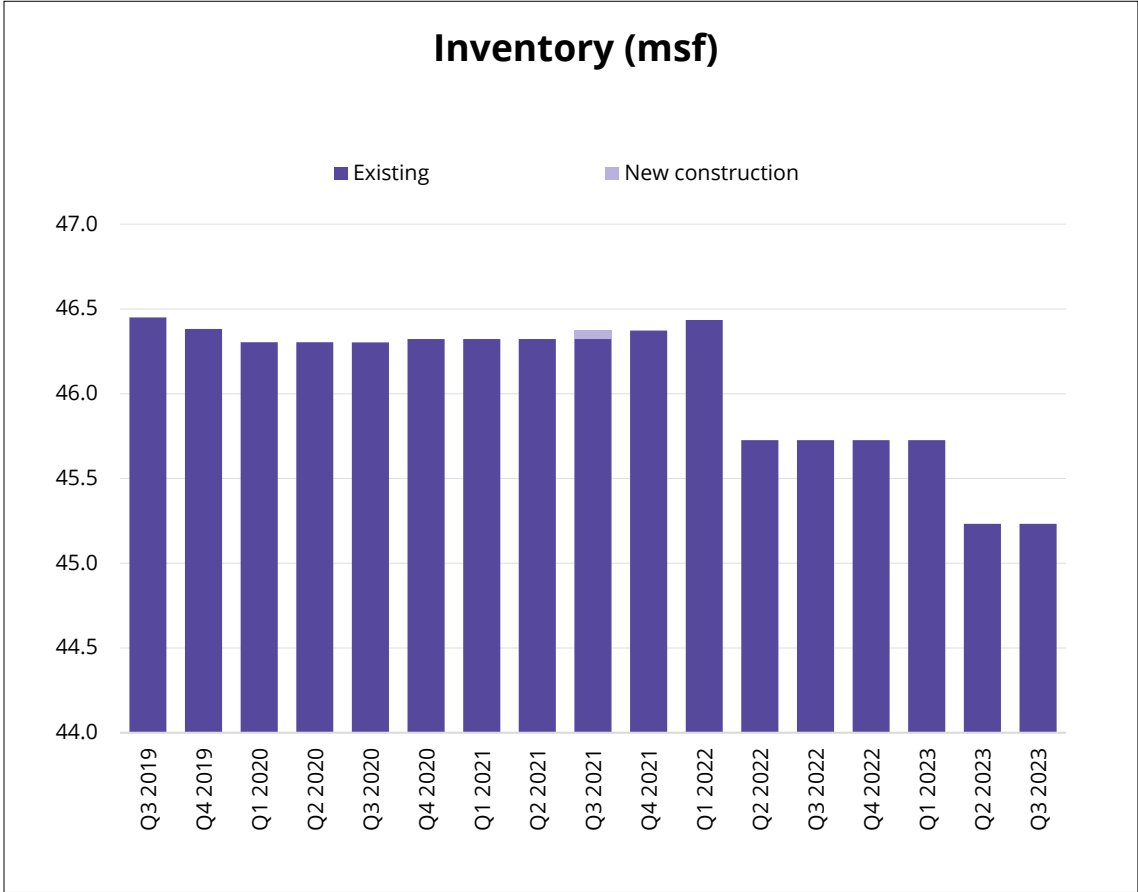
03

Show suites becoming essential

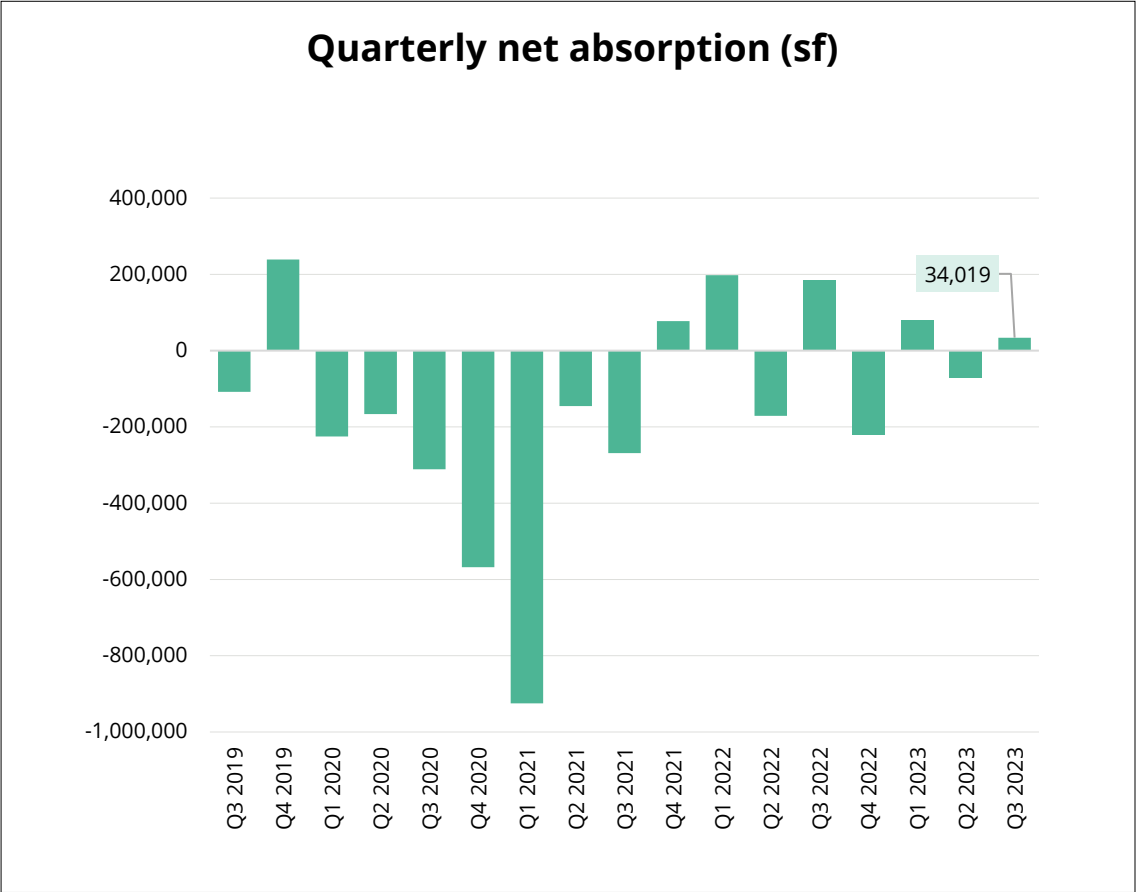
As the desirability for plug-and-play spaces increases, many landlords are discovering the necessity of show suites to compete. Move in ready spaces do not stay on the market long and are seeing elevated rents because of the demand they generate.



Calgary downtown area office market indicators

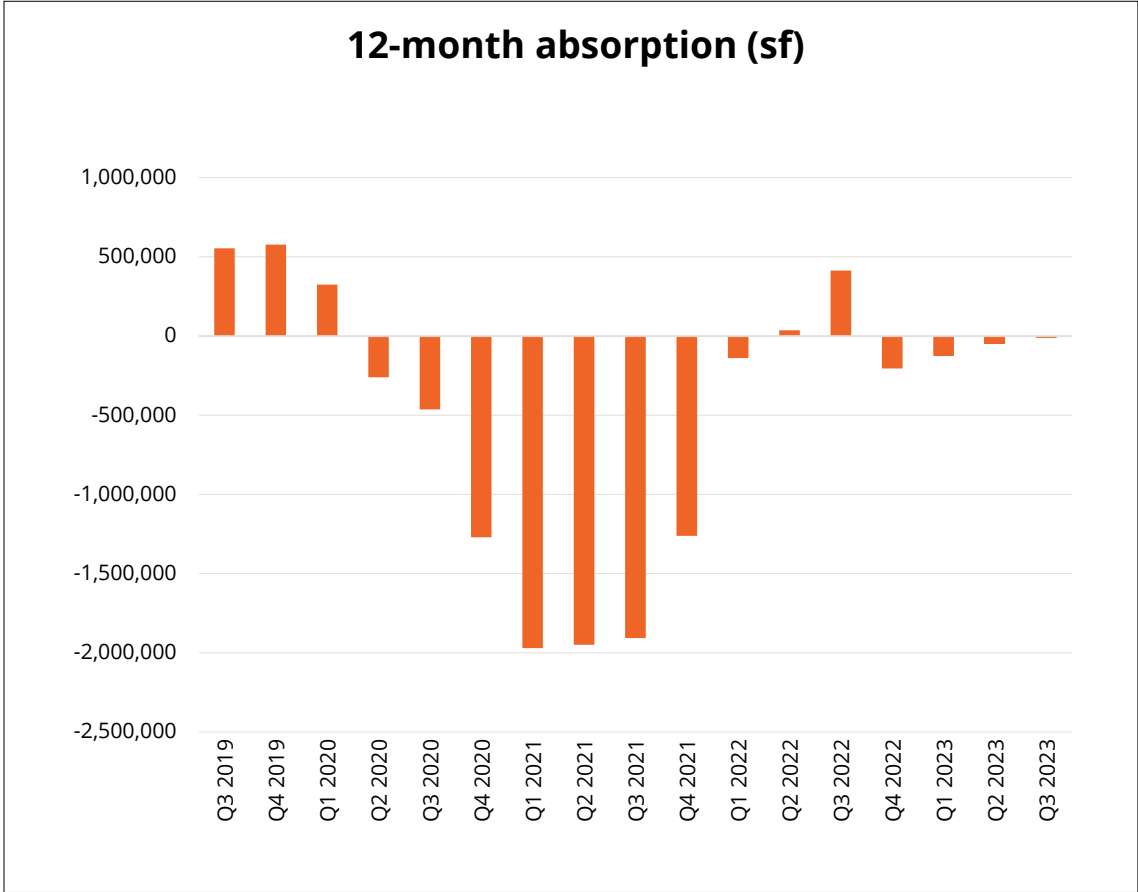


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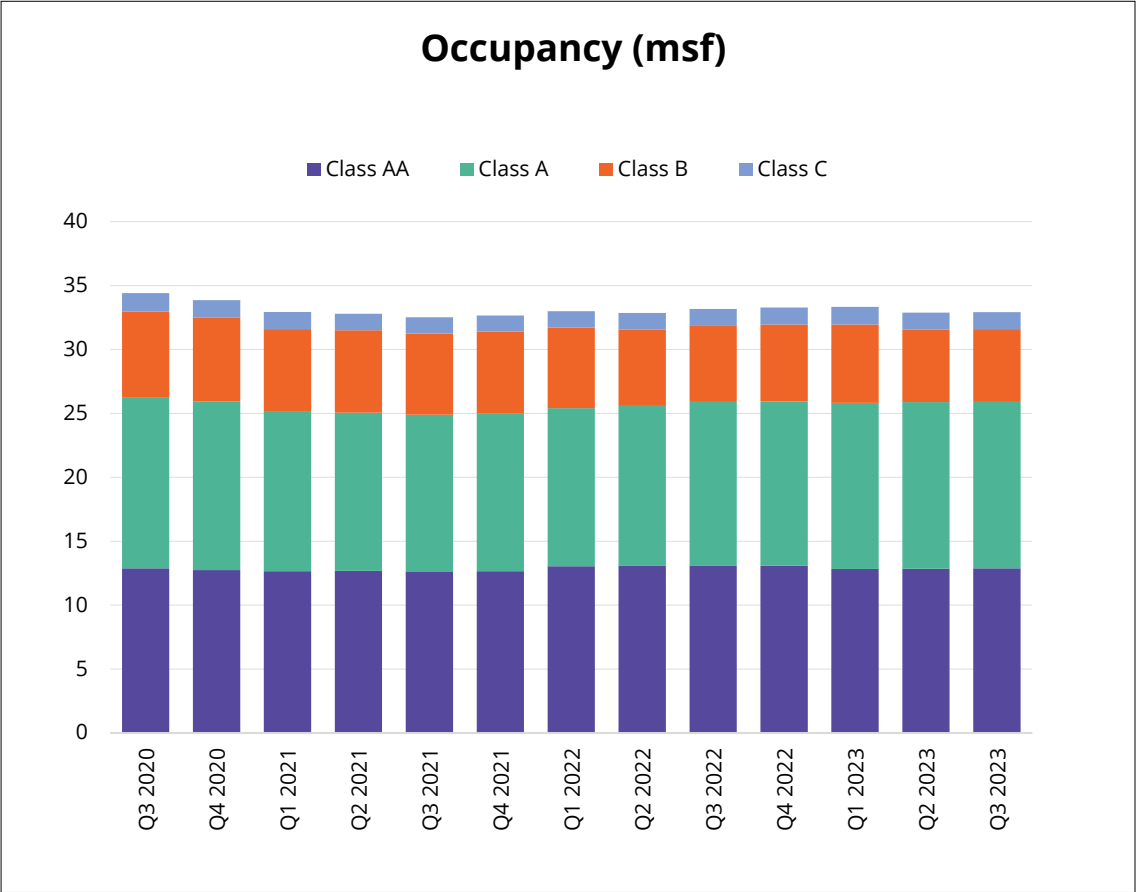


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Calgary downtown area office market indicators

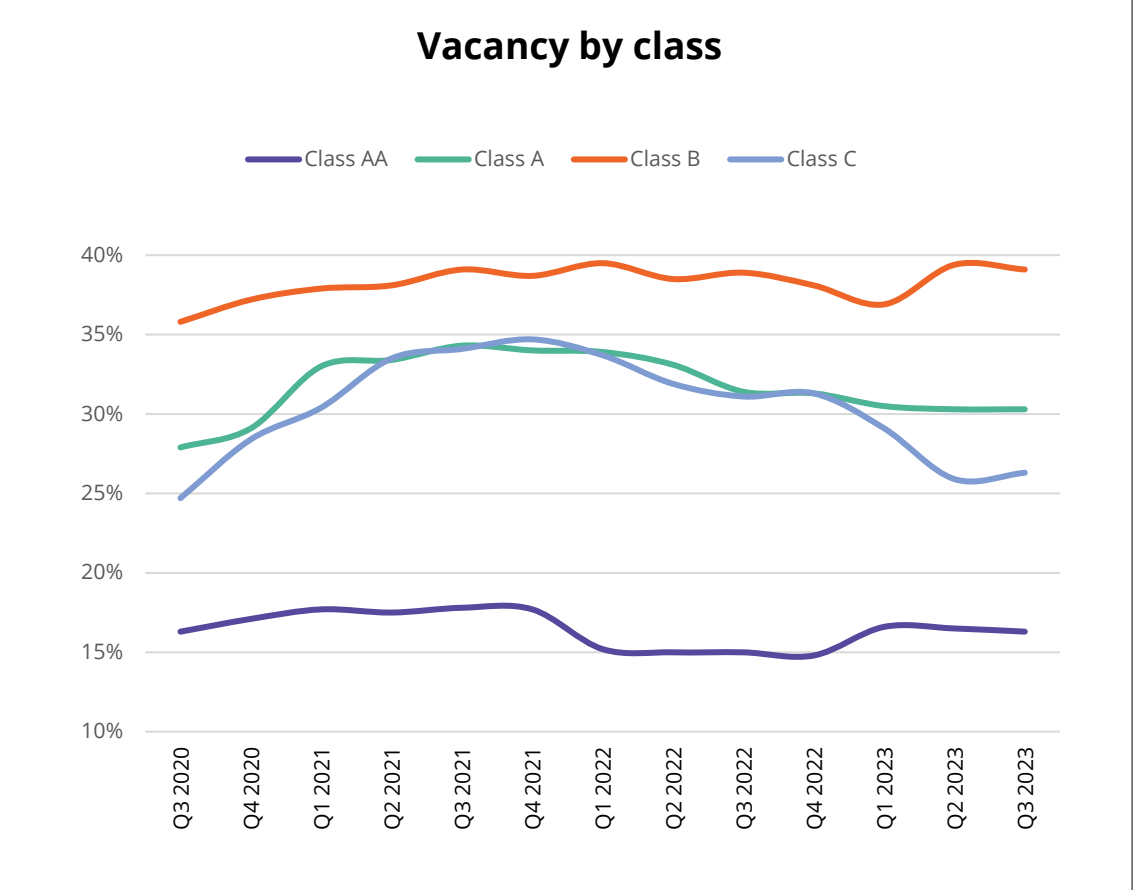
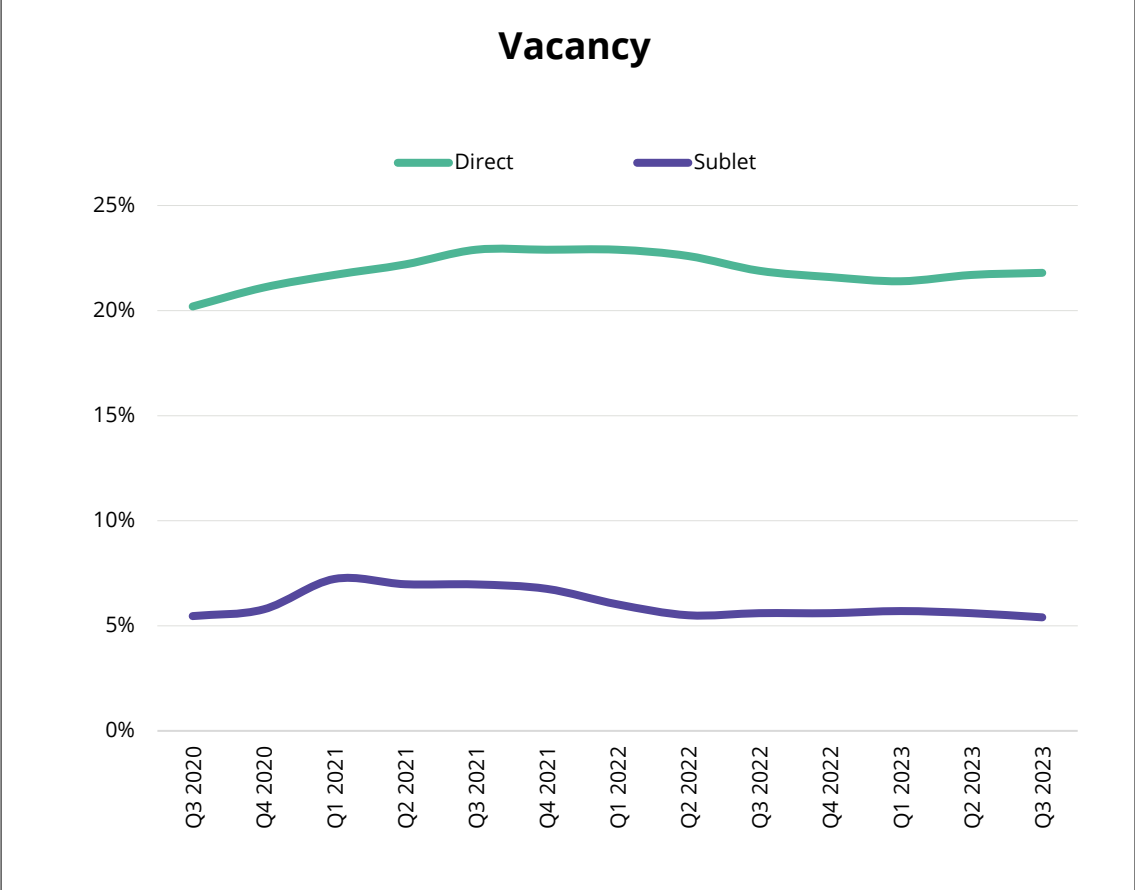


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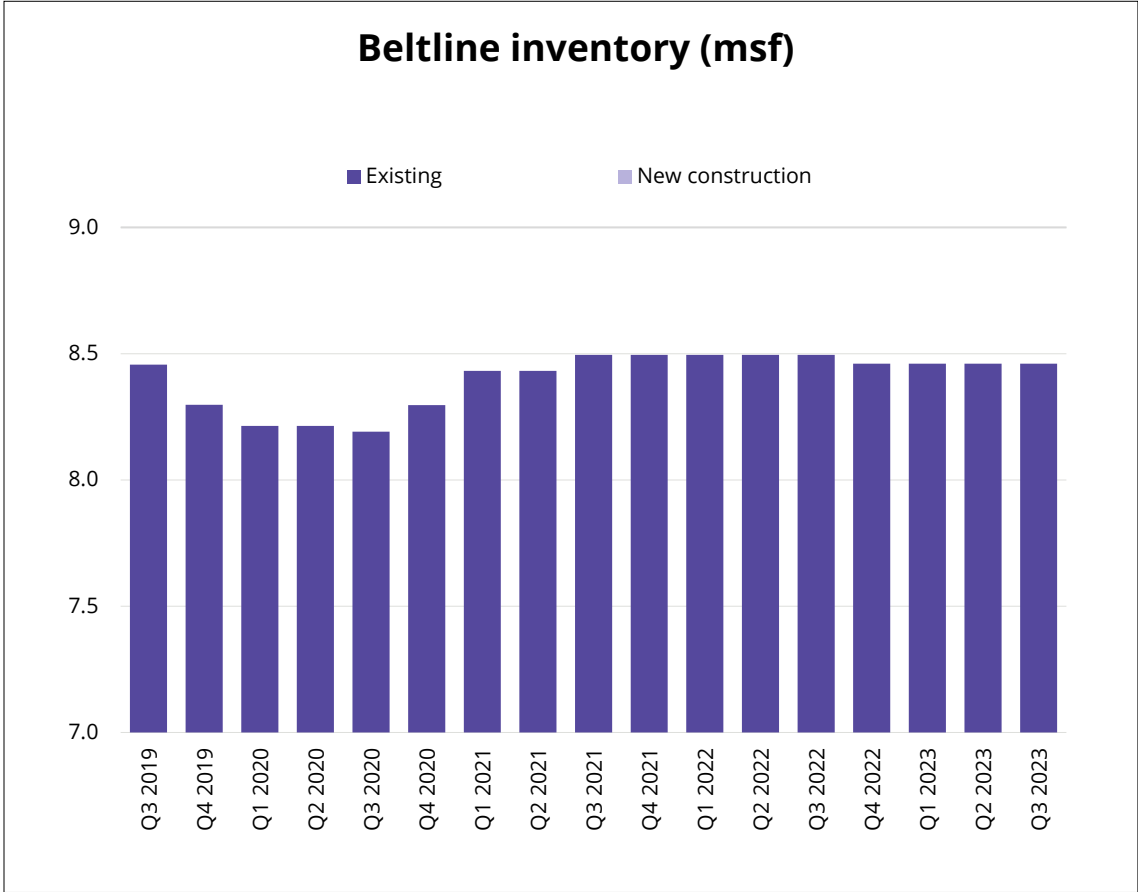
Calgary downtown area office market indicators



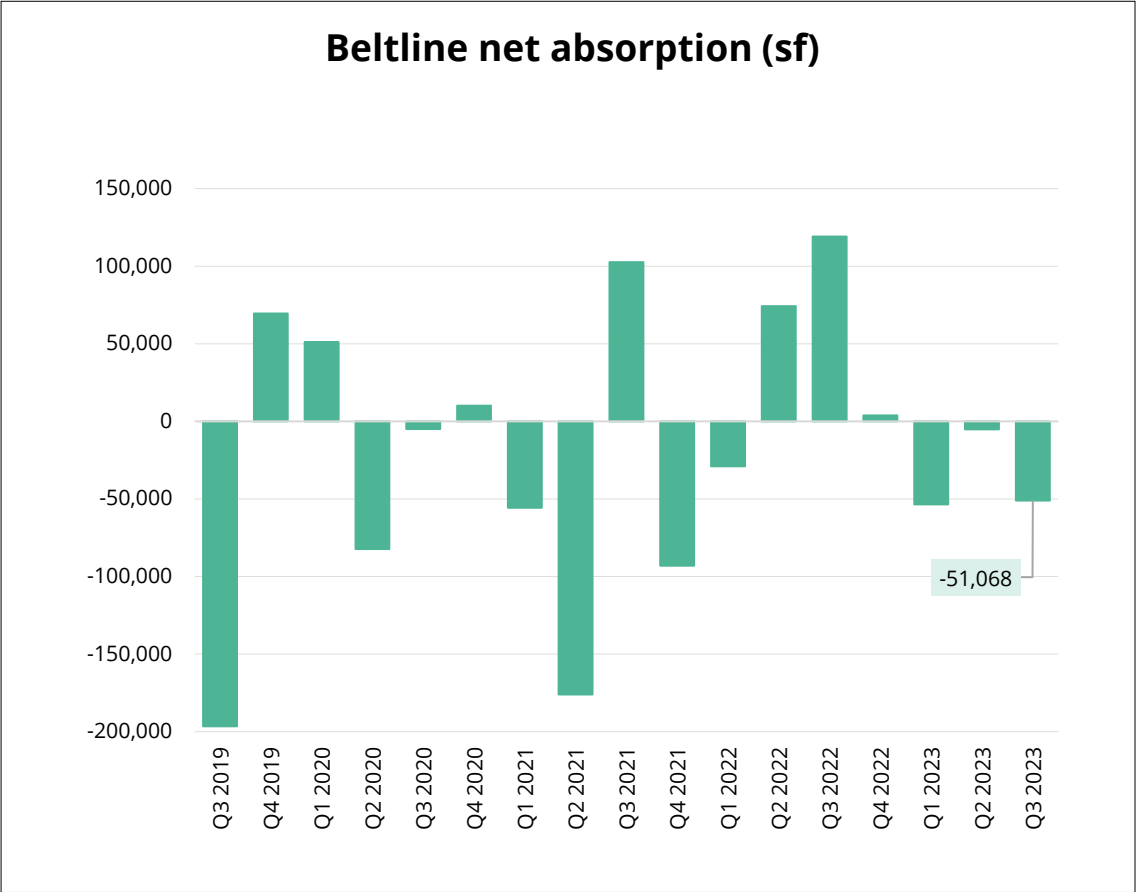
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Calgary Beltline and Suburban area office market indicators

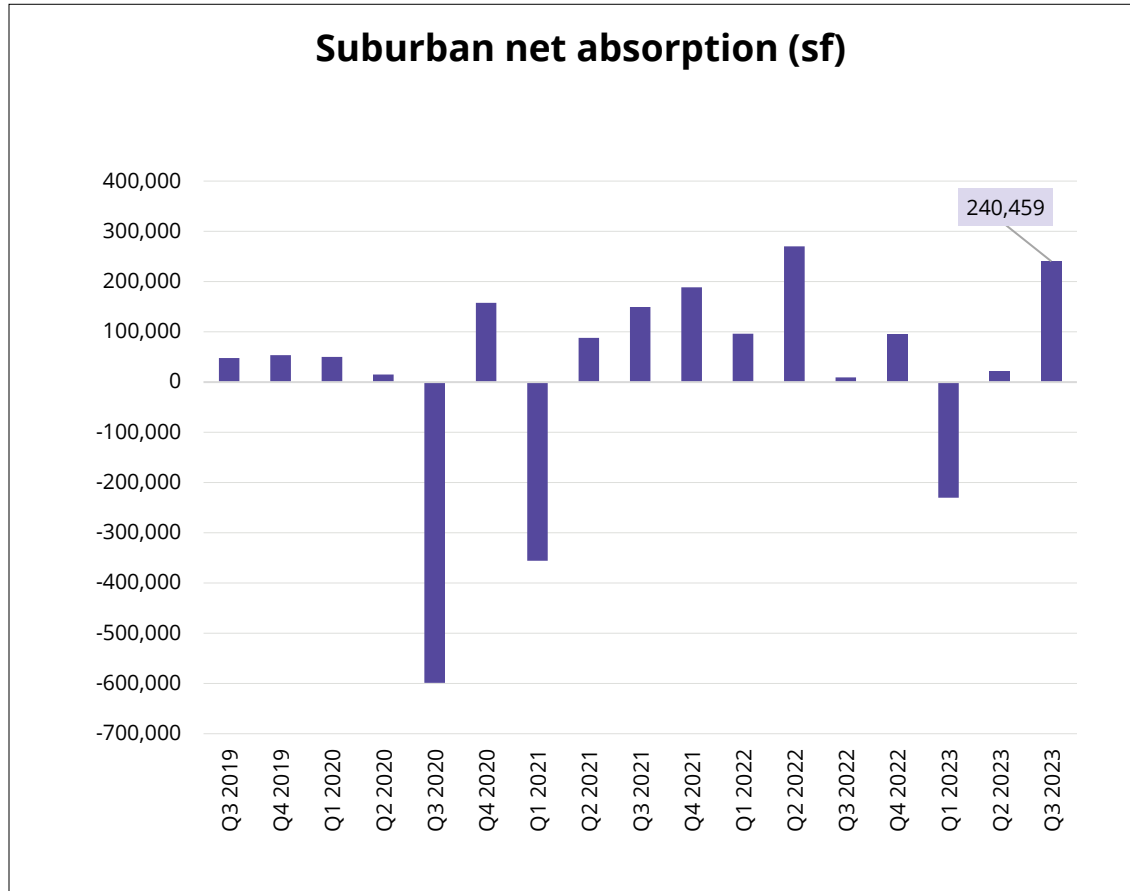


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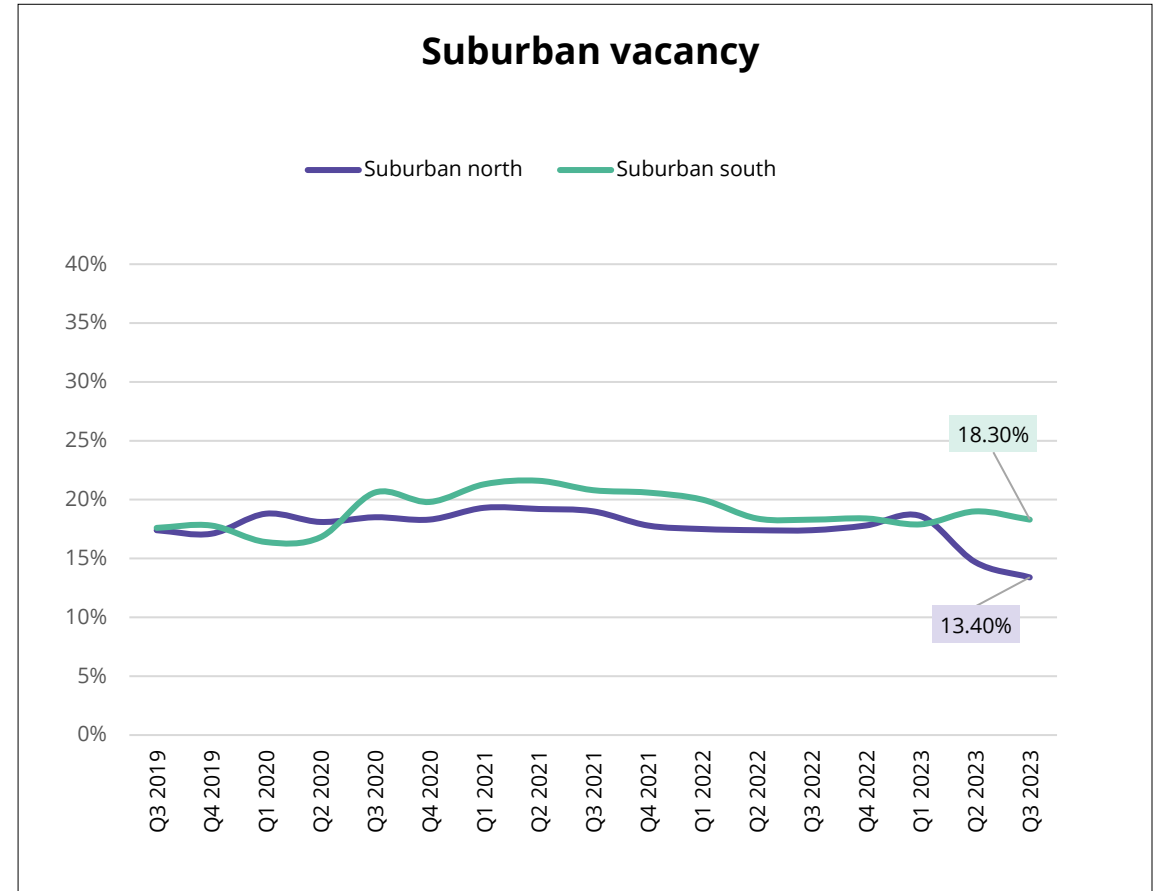


Source: AVANT by Avison Young

Calgary Beltline and Suburban area office market indicators



Source: AVANT by Avison Young



Source: AVANT by Avison Young

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	0	45,231,958	163	9,873,493	2,435,913	12,309,406	21.8%	5.4%	27.2%	32,922,552	34,019	0
Class AA	0	15,381,587	19	1,354,442	1,149,522	2,503,964	8.8%	7.5%	16.3%	12,877,623	31,807	0
Class A	0	18,699,645	52	4,553,016	1,121,218	5,674,234	24.3%	6.0%	30.3%	13,025,411	-12,923	0
Class B	0	9,343,252	59	3,511,034	144,870	3,655,904	37.6%	1.6%	39.1%	5,687,348	22,417	0
Class C	0	1,807,474	33	455,001	20,303	475,304	25.2%	1.1%	26.3%	1,332,170	-7,282	0
Beltline	0	8,460,631	119	1,912,856	261,234	2,174,090	22.6%	3.1%	25.7%	6,286,541	47,836	0
Class A	0	3,168,422	31	660,937	174,756	835,693	20.9%	5.5%	26.4%	2,332,729	-24,746	0
Class B	0	3,627,251	61	1,021,961	86,478	1,108,439	28.2%	2.4%	30.6%	2,518,812	17,435	0
Class C	0	1,664,958	27	229,958	0	229,958	13.8%	0.0%	13.8%	1,435,000	55,147	0
Suburban North	24,690	11,096,555	185	1,364,118	270,420	1,634,538	12.3%	2.4%	14.7%	9,462,017	171,920	192,389
Class A	24,690	6,605,961	89	817,313	240,730	1,058,043	12.4%	3.6%	16.0%	5,547,918	47,286	192,389
Class B	0	3,058,390	61	332,626	25,580	358,206	10.9%	0.8%	11.7%	2,700,184	71,328	0
Class C	0	1,432,204	35	214,179	4,110	218,289	15.0%	0.3%	15.2%	1,213,915	53,306	0
Suburban Northeast	0	8,507,137	131	932,620	100,551	1,033,171	11.0%	1.2%	12.1%	7,473,966	367,784	0
Class A	0	5,128,727	61	483,054	70,861	553,915	9.4%	1.4%	10.8%	4,574,812	250,165	0
Class B	0	2,220,493	43	264,572	25,580	290,152	11.9%	1.2%	13.1%	1,930,341	42,956	0
Class C	0	1,157,917	27	184,994	4,110	189,104	16.0%	0.4%	16.3%	968,813	74,663	0
Suburban Northwest	24,690	2,589,418	53	364,358	84,571	448,929	14.1%	3.3%	17.3%	2,140,489	-121,261	192,389
Class A	24,690	1,477,234	27	215,295	84,571	299,866	14.6%	5.7%	20.3%	1,177,368	-68,683	192,389
Class B	0	837,897	18	126,018	0	126,018	15.0%	0.0%	15.0%	711,879	-51,784	0
Class C	0	274,287	8	23,045	0	23,045	8.4%	0.0%	8.4%	251,242	-794	0

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)
Suburban South	0	13,048,822	187	2,228,823	163,634	2,392,457	17.1%	1.3%	18.3%	10,656,365	88,021	0
Class A	0	9,915,632	123	1,864,360	130,107	1,994,467	18.8%	1.3%	20.1%	7,921,165	81,728	0
Class B	0	2,076,390	41	297,310	22,265	319,575	14.3%	1.1%	15.4%	1,756,815	8,212	0
Class C	0	1,056,800	23	67,153	9,188	76,341	6.4%	0.9%	7.2%	980,459	-1,919	0
Suburban Southeast	0	8,929,166	132	1,619,150	119,254	1,738,404	18.1%	1.3%	19.5%	7,190,762	98,779	0
Class A	0	6,972,462	89	1,409,584	94,529	1,504,113	20.2%	1.4%	21.6%	5,468,349	102,550	0
Class B	0	1,089,083	25	146,691	15,537	162,228	13.5%	1.4%	14.9%	926,855	-8,747	0
Class C	0	867,621	18	62,875	9,188	72,063	7.2%	1.1%	8.3%	795,558	4,976	0
Suburban Southwest	0	4,119,656	55	607,154	44,380	651,534	14.7%	1.1%	15.8%	3,468,122	82,505	0
Class A	0	2,943,170	34	454,776	35,578	490,354	15.5%	1.2%	16.7%	2,452,816	13,312	0
Class B	0	987,307	16	148,100	6,728	154,828	15.0%	0.7%	15.7%	832,479	71,743	0
Class C	0	189,179	5	4,278	0	4,278	2.3%	0.0%	2.3%	184,901	-476	0
Suburban total	24,690	24,145,377	371	3,523,282	348,756	3,872,038	14.6%	1.4%	16.0%	20,273,339	240,459	192,389
Class A	24,690	16,521,593	212	2,562,709	285,539	2,848,248	15.5%	1.7%	17.2%	13,673,345	285,990	192,389
Class B	0	5,134,780	102	687,900	47,845	735,745	13.4%	0.9%	14.3%	4,399,035	-49,752	0
Class C	0	2,489,004	58	275,192	13,298	288,490	11.1%	0.5%	11.6%	2,200,514	4,221	0
Calgary total	24,690	77,837,966	654	15,312,150	3,045,903	18,358,053	19.7%	3.9%	23.6%	59,479,913	322,314	192,389
Class AA&A	24,690	53,771,247	314	9,131,104	2,731,035	11,862,139	17.0%	5.1%	22.1%	41,909,108	280,128	192,389
Class B	0	18,105,283	222	5,220,895	279,193	5,500,088	28.8%	1.5%	30.4%	12,605,195	-9,900	0
Class C	0	5,961,436	118	960,151	33,601	993,752	16.1%	0.6%	16.7%	4,967,684	52,086	0

For more market insights
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