

Q3 2023

Calgary

Downtown Office Market Report

Net Absorption

This Quarter	Previous Quarter
305K _{SF}	109K _{SF}
12-Month Absorption	3-Year Quarterly Avg.
595K _{SF}	-127K _{SF}

Vacancy

This Quarter	Year-over-Year
29.61%	↓ 176bps
Total Vacant Space	
12.87M _{SF}	

Direct Vacancy

This Quarter	Previous Quarter
24.80%	25.07%

Sublease Vacancy

This Quarter	Previous Quarter
4.81%	5.24%

CMN Calgary Inc.

Market Outlook

The third quarter of 2023 continued to show signs of tenant confidence and strong office leasing momentum in Downtown Calgary, with overall vacancy dropping 70 basis points (bps) to 29.61% and positive net absorption of 304,662 square feet. This is the first quarter since Q4 2020 that overall vacancy fell below 30% and is the fifth consecutive quarter of positive absorption. This can be largely attributed to increased activity in Class AA and A segments. When comparing those two segments from Q3 2022 to Q3 2023 there has been positive net absorption of 411,068 and 647,759 square feet, respectively. Another contributing factor is the government-subsidized office conversion program, under which 13 buildings have been approved with another four buildings under review. The Class B and C markets are feeling the positive effects of these conversions as tenants of these projects have been or will be displaced from their existing buildings and are primarily leasing space in alternative Class B and C buildings. During this quarter, the previously stagnant submarket of Class C buildings west of 5th Street SW saw vacancy lower by 80 bps and positive absorption of 23,270 square feet, while the B Class market west of 5th Street SW saw continued momentum with a vacancy decrease of 124 bps and a positive absorption of 49,130 square feet.

An important characteristic of the Downtown market is the discrepancy in the overall vacancy of 29.61% and the vacancy breakdown of different building classes within individual submarkets. Based on the high overall vacancy, it is often assumed that all of downtown consists of abundant available blocks of space and a wide range of opportunities for tenants, however there is more to the story. Occupied space has increased by 584,437 square feet among Class AA buildings and 315,869 square feet in Class A buildings over the last two years. As a result, there is now only 1,697,468 square feet available for lease and 24 blocks of space which are 50,000 square feet or larger in Class AA and A buildings in the central core.

The oil and gas sector has endured a lengthened downturn, beginning in 2014 with another setback in 2020, but the market sentiment, along with the price of oil has continued to improve. This momentum has positively impacted the Downtown Calgary commercial real estate market in the form of headcount growth in the energy sector and associated industries, mergers and acquisitions, purchases, and future investment in the downtown core. Additionally, this quarter saw a company take back a sizable amount of space that was previously on the sublease market for its own use. Further optimism comes with the progression of the Trans Mountain pipeline (TMX pipeline) and other oil and gas infrastructure developments. The TMX pipeline will add additional takeaway capacity for Canadian producers and allow them to export to markets outside the United States. The TMX pipeline is predicted to boost Canada's production of heavy oil, and subsequently encourage the growth of infrastructure and future investment in Canada's clean energy. We anticipate that Downtown Calgary, being primarily composed of oil and gas related occupiers will see a positive effect on absorption as these changes come to fruition. In addition to the activity of major oil and gas companies we are seeing the emergence of startup oil and gas companies, along with the growth of junior oil and gas companies, both of which have not had a dramatic impact on the overall footprint of downtown office space over the last ten years.

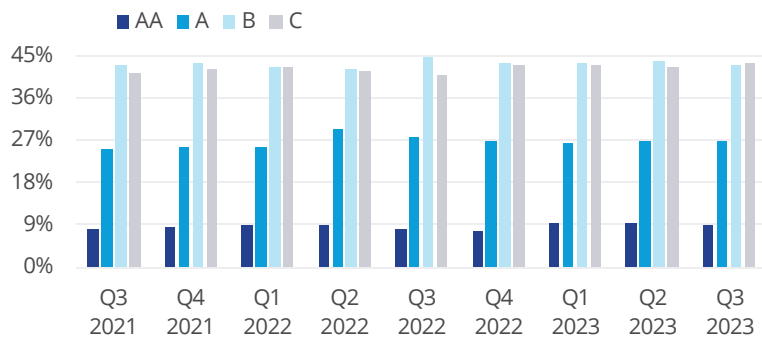
Despite the momentum in the Class AA and A segments, landlords continue to invest large amounts of capital into tenant amenities such as food service areas, fitness facilities, conference facilities, and tenant lounges in order to attract tenants. Most recently, tenant amenity upgrades have been announced in Gulf Canada Square, Watermark Tower, Fifth Avenue Place, Bankers Hall, Suncor Energy Centre, and First Canadian Centre. The construction and announcement of tenant amenities is indicative of optimism in Calgary's Downtown market.

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Market Overview

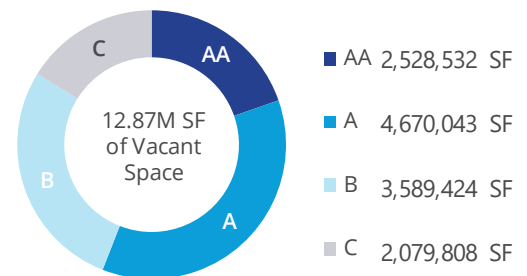
01 Downtown Direct Vacancy

% of Total Vacancy | Q3 2021 – Q3 2023



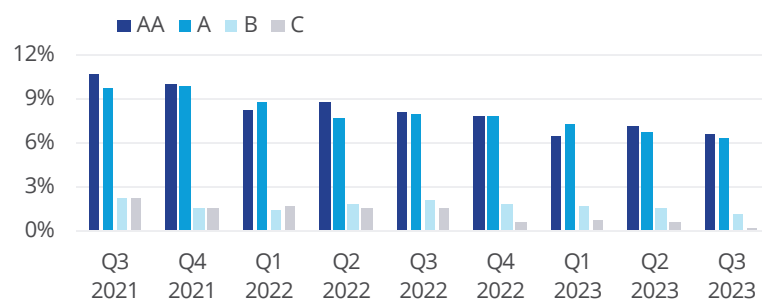
02 Vacancy Composition

By Building Class | Square Feet (SF)



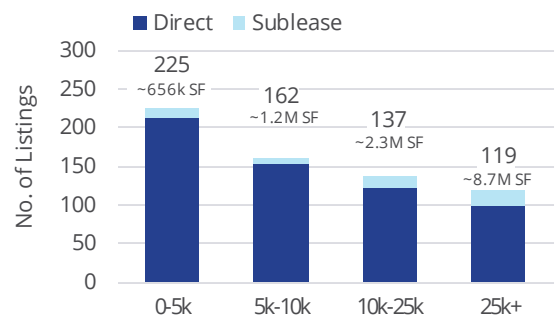
03 Downtown Sublease Vacancy

% of Total Vacancy | Q3 2021 – Q3 2023



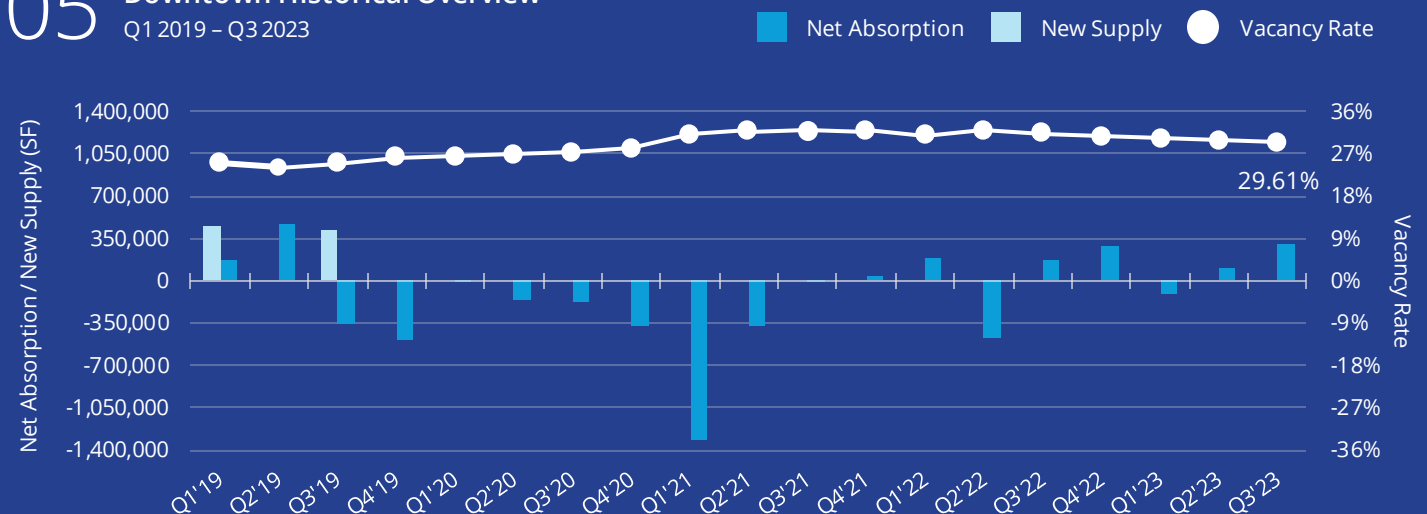
04 Downtown Vacant Space

By Size Range



05 Downtown Historical Overview

Q1 2019 – Q3 2023



Market Statistics & Transaction Highlights

Class	AA	A	B	C	Overall
No. of Buildings	21	34	38	62	155
Total Vacant Space					
Current Quarter (SF)	2,528,532	4,670,043	3,589,424	2,079,808	12,867,807
Previous Quarter (SF)	2,696,371	4,725,304	3,676,767	2,074,027	13,172,469
Vacancy Rate					
Current Quarter	15.38%	33.09%	44.25%	43.45%	29.61%
Previous Quarter	16.40%	33.48%	45.33%	43.33%	30.31%
Direct Vacancy					
Current Quarter	8.79%	26.70%	43.06%	43.29%	24.80%
Previous Quarter	9.20%	26.81%	43.76%	42.75%	25.07%
Sublease Vacancy					
Current Quarter	6.58%	6.39%	1.19%	0.16%	4.81%
Previous Quarter	7.19%	6.67%	1.56%	0.58%	5.24%
Direct Available Space					
Current Quarter (SF)	1,445,744	3,768,212	3,493,071	2,072,050	10,779,077
Previous Quarter (SF)	1,513,660	3,784,509	3,549,929	2,046,498	10,894,596
Sublease Available Space					
Current Quarter (SF)	1,082,788	901,831	96,353	7,758	2,088,730
Previous Quarter (SF)	1,182,711	940,795	126,838	27,529	2,277,873
Net Absorption					
Current Quarter (SF)	167,839	55,261	87,343	-5,781	304,662
Previous Quarter (SF)	-43,427	92,788	33,604	26,343	109,308

Notable Lease Transactions

Tenant	Building Name / Address	Market	Transaction Type	Size (SF)
*TAQA North Ltd.	Jamieson Place 308 – 4 th Avenue SW	Central	Headlease	94,414
Baytex Energy Corp.	Centennial Place – East 520 – 3 rd Avenue SW	Central	Headlease	84,290
National Bank Canada	Bankers Court 850 – 2 nd Street SW	Central	Headlease	43,270
*Peters & Co. Limited	Jamieson Place 308 – 4 th Avenue SW	Central	Headlease	24,350
*Novtech Canada Limited	Fifth Avenue Place – West 237 – 4 th Avenue SW	Central	Sublease	24,197
*Blackstone Drilling Fluids Limited	Penn West Plaza – West 215 – 9 th Avenue SW	Central	Headlease	22,514

* Colliers involved in transaction

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