

# Calgary's Year-End Downtown Office Landscape

Market Analysis Year-End 2024

## QUARTERLY STATS - Q4 2024

### Overall

<b>80.7%</b> ↓	<b>OCCUPANCY RATE</b> Total leased space (34,259,648 sf)
<b>19.3%</b> ↑	<b>VACANCY RATE</b> Space marketed for headlease only (8,194,225 sf)
<b>24.7%</b> ↑	<b>AVAILABILITY</b> Total amount of space available for headlease/ sublease/sub-sublease/ office-share, etc. (10,453,822 sf)

### Within-class

<b>CLASS AA</b>	<b>93%</b> ↓ <b>OCCUPANCY</b> <b>7%</b> ↑ <b>VACANCY</b> <b>15.2%</b> ↑ <b>AVAILABILITY</b>
<b>CLASS A</b>	<b>79.1%</b> ↓ <b>OCCUPANCY</b> <b>20.9%</b> ↑ <b>VACANCY</b> <b>26%</b> ↑ <b>AVAILABILITY</b>
<b>CLASS B</b>	<b>68.2%</b> ↑ <b>OCCUPANCY</b> <b>31.8%</b> ↓ <b>VACANCY</b> <b>33.9%</b> ↓ <b>AVAILABILITY</b>
<b>CLASS C</b>	<b>74%</b> ↔ <b>OCCUPANCY</b> <b>26%</b> ↔ <b>VACANCY</b> <b>27%</b> ↓ <b>AVAILABILITY</b>

### SIGNIFICANT MOVES, ANNOUNCEMENT AND NOTABLE TRANSACTIONS:



Birchcliff Energy Ltd. renewed approximately 81,000 sf in Eau Claire Tower



Saturn Oil & Gas renewed more than 73,000 sf in Eighth Avenue Place - East

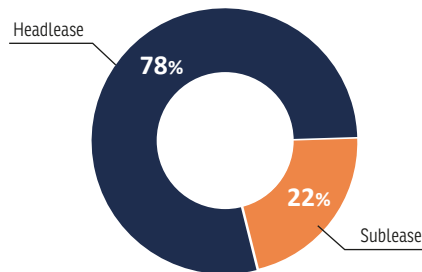


Crowbourne leased more than 21,000 sf in Penn West Plaza - West Tower

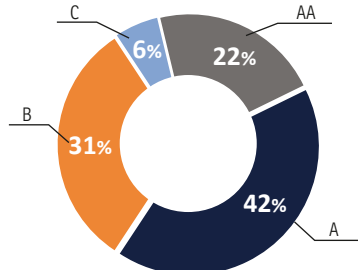
The recovery of Calgary's Downtown office market held strong through the final quarter of 2024. A small amount of negative absorption—98,600 square feet—was tracked, most of which was space being marketed for sublease/sub-sublease and/or office sharing. This brought overall availability to 24.7% - an increase of four-tenths of a percent from Q3. The actual vacant component of Calgary's Downtown remained essentially unchanged at 19.3% and is primarily a reflection of the ever-shrinking Downtown office inventory, which we speak to later in this report. Downtown occupancy remained above 80% nonetheless – a level not seen since prior to mid-year 2018. The proportion of space being marketed for occupancy other than headlease also changed very little, increasing to 22%.

This supports a general sense of cautious optimism among Tenants that's remained in place for much of this year. We've noted it

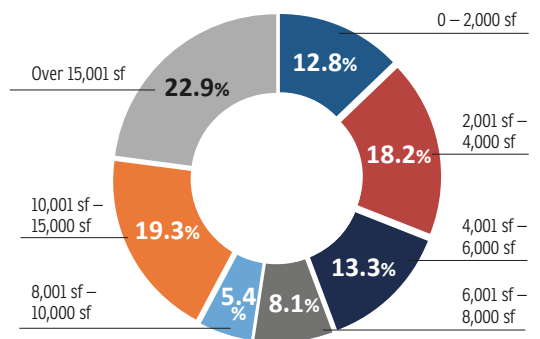
### HEADLEASE VS. SUBLEASE DISTRIBUTION OF TOTAL AVAILABLE SPACE



### DISTRIBUTION OF TOTAL AVAILABLE SPACE BY BUILDING CLASS



### DISTRIBUTION OF OPTIONS BY SIZE RANGE



playing out in the longer terms of leases being sought, which have become as much about stabilizing their businesses for longer-term planning as controlling costs. On the one hand, major employers are still assessing the implications of work-from-home arrangements on their medium-to-long term space needs and on the other, is (as we mentioned in our first-quarter report, but it's worth reiterating) the impact of high costs related to construction materials and labour to renovate spaces to suit their needs, plus the high prices/low availability of furnishings to complete any new buildouts and upgrades. Either way, the healthier state of the Downtown market has stimulated a renewed focus on growth management strategies.

We've also observed continued upward pressure on lease rates as a result of inventory reduction in the B and C property classes, stemming from the *Downtown Development Incentive Program*\*. With many tenants being nudged toward higher class properties - or better within-class spaces – the induced demand has allowed Landlords to begin recouping costs on what had become discounted spaces to compete with West End properties.

This has the ironic tendency of feeding into the previous point, as the newly taken spaces often require even minimal tweaks and/or a fresh coat of paint and as such, place additional demand on local construction and furnishings companies. With ready-to-move-

\* <https://www.calgary.ca/development/downtown-calgary-incentive-program.html>

in furnished spaces becoming increasingly rare, tenants are being driven to extremes on the spectrum of taking spaces in less-than-ideal condition on one end or absorbing substantial contractor costs/higher lease rates on the other.

Speaking to both of the above-noted points, the continued loss of B-class options in this submarket continued as the Hanover Building was positioned by Cairo Developments for redevelopment as a high-rise apartment property. Additionally, Place 800 was approved for office-to-residential development under DDIP, with United place no longer moving forward. Place 800 however, will remain in our inventory until work begins, while Hanover has been removed.

## Opportunities by Building Class and Size

### HEADLEASE OPPORTUNITIES BY BUILDING CLASS AND SIZE RANGE

Size Range	AA	A	B	C
0 – 2,000 sf	3	11	48	24
2,001 sf – 4,000 sf	4	26	102	40
4,001 sf – 6,000 sf	2	40	68	17
6,001 sf – 8,000 sf	6	22	35	10
8,001 sf – 10,000 sf	5	11	24	7
10,001 sf – 15,000 sf	5	72	90	12
15,001+	36	88	35	3
<b>Overall</b>	<b>61</b>	<b>270</b>	<b>402</b>	<b>113</b>

### SUBLEASE OPPORTUNITIES BY BUILDING CLASS AND SIZE RANGE

Size Range	AA	A	B	C
0 – 2,000 sf	21	13	10	0
2,001 sf – 4,000 sf	3	2	6	3
4,001 sf – 6,000 sf	3	3	3	0
6,001 sf – 8,000 sf	3	2	4	0
8,001 sf – 10,000 sf	2	6	1	0
10,001 sf – 15,000 sf	6	4	4	0
15,001+	39	35	4	0
<b>Overall</b>	<b>77</b>	<b>65</b>	<b>32</b>	<b>3</b>

## Looking Ahead

On the horizon for 2025, just under 1.2 million square feet of new availabilities is being advertised. Of that, ~942,000 sf will be available for headlease and ~231,000 sf is being advertised for sublease/sub-sublease. The pending Canadian Natural Resources Ltd. (CNRL) move from Bankers Hall West is responsible for a substantial portion of that (342,000+ sf) but we're also looking at large amounts of space coming in Jamieson Place (217,000+ cumulative sf) and Bow Valley Square II (121,000+ sf). Additionally, approximately 128,000 sf of contiguous space is slated to come available for sublease by AltaGas Ltd. in Calgary Place II.

Assuming ongoing stability in headlease vacancy and barring absorption of the above-noted space as we move through 2025, overall availability in the Downtown could rise to 27.4% by the end of the third quarter.

## Distribution of Available Space



### OVERALL AVAILABILITY BY LOCATION

CORE 26.8% NORTH 13.8% EAST 24% SOUTH 13.1% WEST 40.4%

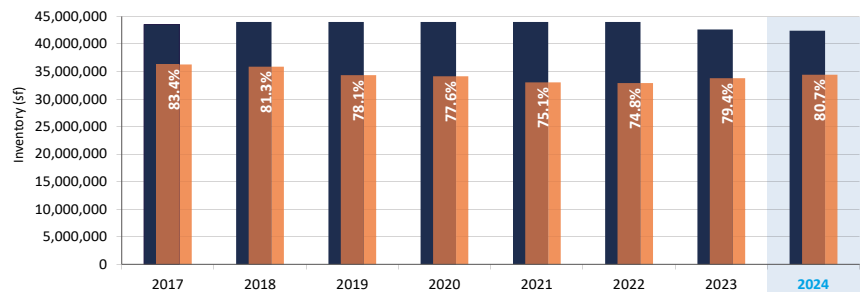
## Downtown Market Statistics

	Q4 2024	Q3 2024	Q4 2023
Total Available Space	24.7% (10,453,822 sf)	24.3% (10,335,221 sf)	26.1% (11,115,619 sf)
Vacancy	19.3% (8,194,225 sf)	19.2% (8,209,826 sf)	20.8% (8,851,973 sf)
Balance of Available Space	5.4% (2,259,597 sf)	5.1% (2,125,395 sf)	5.3% (2,263,646 sf)
Inventory	42,399,873 sf	42,569,286 sf	42,667,051 sf

## Changes in Occupancy

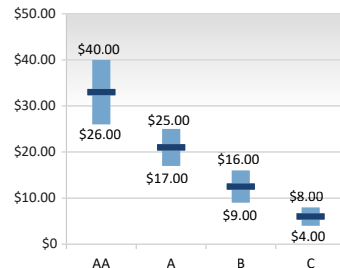
### HISTORICAL ANNUAL OCCUPANCY & INVENTORY CHANGES\*

Inventory  
Occupied Space

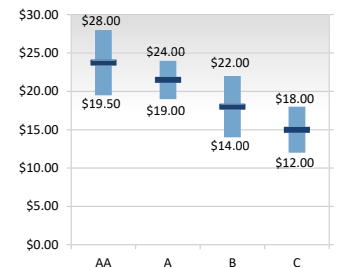


## Average Costs

### AVERAGE HEADLEASE RATES BY BUILDING CLASS



### OPERATING COSTS BY BUILDING CLASS



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