

# Calgary's Second Quarter Downtown Office Landscape

Market Analysis Q2 2024

## Overall

**80.2% ↑** OCCUPANCY RATE  
(Total leased space)

**19.8% ↓** VACANCY RATE  
(Space marketed for headlease only)

**25.6% ↑** AVAILABILITY  
(Total amount of space available for headlease/sublease/sub-sublease/office-share, etc.)

## Within-class

**CLASS AA** **93.5% ↑** OCCUPANCY  
**6.5% ↓** VACANCY  
**13.5% ↓** AVAILABILITY

**CLASS A** **80.8% ↑** OCCUPANCY  
**19.2% ↓** VACANCY  
**26.6% ↑** AVAILABILITY

**CLASS B** **63.5% ↓** OCCUPANCY  
**36.5% ↑** VACANCY  
**39.1% ↑** AVAILABILITY

**CLASS C** **74.5% ↑** OCCUPANCY  
**25.5% ↓** VACANCY  
**26.5% ↑** AVAILABILITY

### SIGNIFICANT MOVES, ANNOUNCEMENT AND NOTABLE TRANSACTIONS:



Sinopec Canada Ltd. took approximately 85,000 sf in The Ampersand.

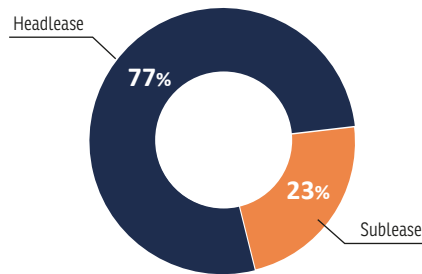


Peyto Exploration & Development Corp. took approximately 51,000 sf in Eau Claire Tower.

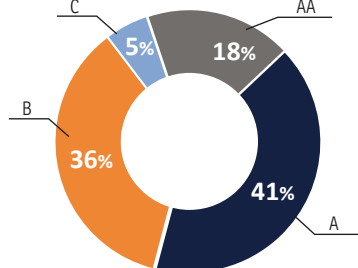
The recovery of Calgary's Downtown office market held strong during the second quarter of 2024. Overall availability – and particularly the vacant component – of Downtown office space posted another quarter-over-quarter decrease as we closed the first half of 2024. Just under 208,000 square feet of headlease space was taken through the second quarter, bringing the vacancy rate down even further. We also saw an uptick in new space marketed for sublease, sub-sublease and/or office share, which caused the overall availability rate for the Downtown to increase slightly.

With the Downtown market continuing to demonstrate signs of overall health, many tenants have found themselves facing increased costs related to moves and expansions as they approach the ends of their leases. We mentioned this in our first-quarter report but it's worth reiterating, that

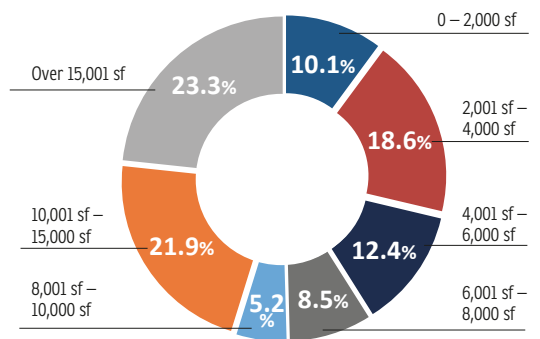
HEADLEASE VS. SUBLEASE DISTRIBUTION OF TOTAL AVAILABLE SPACE



DISTRIBUTION OF TOTAL AVAILABLE SPACE BY BUILDING CLASS



DISTRIBUTION OF OPTIONS BY SIZE RANGE



the increased costs related to construction materials and labour to renovate spaces to suit tenants' needs, as well as the high prices/low availability of furnishings to complete any new buildouts and upgrades, have become a major aspect of growth management strategies.

We've also observed 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.

Ironically, the above point has a tendency of feeding into the previous one 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-in furnished spaces becoming increasingly rare, tenants are being driven to the 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.

This one-two combo of rising construction/furnishing costs and rising rates in the Downtown market has begun motivating many tenants to deeply examine their office requirements in the mid-to-long terms and consider longer lease commitments to remain in-place to reduce costs. Time will tell whether or not this will have a slowing effect on leasing activity.

## Opportunities by Building Class and Size

The highest concentrations of available Downtown options continued to be in 10,000 sf or greater. Spaces measuring greater than 15,000+ sf comprised nearly one-quarter of availabilities while spaces in the 10,000 sf – 15,000 sf range comprised more than one-fifth of available options. The fewest options in the Downtown were among spaces measuring 8,001 sf – 10,000 sf and 6,001 sf – 8,000 sf, which contained 5.2% and 8.5% of available leasing options, respectively.

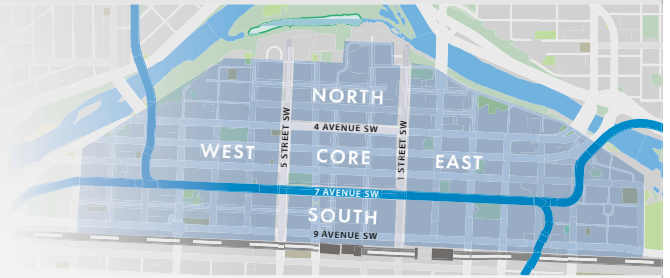
### HEADLEASE OPPORTUNITIES BY BUILDING CLASS AND SIZE RANGE

Size Range	AA	A	B	C
0 – 2,000 sf	1	10	56	25
2,001 sf – 4,000 sf	4	21	110	39
4,001 sf – 6,000 sf	2	24	71	18
6,001 sf – 8,000 sf	3	18	46	10
8,001 sf – 10,000 sf	3	9	25	6
10,001 sf – 15,000 sf	5	66	122	12
15,001+	36	88	37	3
<b>Overall</b>	<b>54</b>	<b>236</b>	<b>467</b>	<b>113</b>

### SUBLEASE OPPORTUNITIES BY BUILDING CLASS AND SIZE RANGE

Size Range	AA	A	B	C
0 – 2,000 sf	1	3	5	1
2,001 sf – 4,000 sf	6	7	4	2
4,001 sf – 6,000 sf	2	6	4	0
6,001 sf – 8,000 sf	4	3	4	2
8,001 sf – 10,000 sf	3	5	1	0
10,001 sf – 15,000 sf	5	12	5	0
15,001+	31	47	7	0
<b>Overall</b>	<b>52</b>	<b>83</b>	<b>30</b>	<b>5</b>

## Distribution of Available Space



### OVERALL AVAILABILITY BY LOCATION

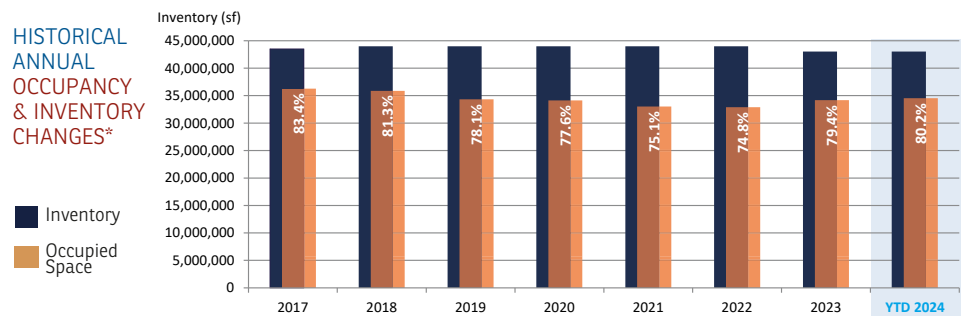
CORE	<b>25%</b>
NORTH	<b>14.1%</b>
EAST	<b>26.4%</b>
SOUTH	<b>14.4%</b>
WEST	<b>42.8%</b>

### AVAILABILITY BY LOCATION AND CLASS (SF/%)

	AA	A	B	C
CORE	122,485 8.75%	1,423,625 21.92%	980,221 42.02%	73,664 29.37%
NORTH	513,720 11.06%	247,233 19.84%	96,960 150.37%	0 N/A
EAST	985,951 24.05%	346,240 14.15%	731,747 40.95%	33,899 7.21%
SOUTH	194,406 5.14%	929,486 23.22%	53,622 14.04%	24,113 9.83%
WEST	134,403 25.22%	1,483,196 59.75%	1,964,049 37.57%	428,635 37.30%

## Changes in Occupancy

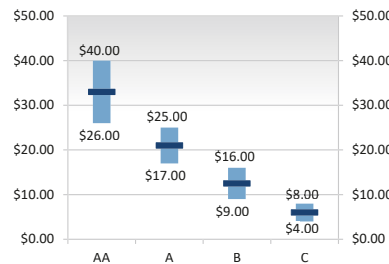
### HISTORICAL ANNUAL OCCUPANCY & INVENTORY CHANGES\*



\* Barclay Street's inventory has been adjusted based on removal of several Downtown commercial office buildings, per The City of Calgary's list of approved office-to-residential conversions: <https://www.calgary.ca/development/downtown-incentive.html>

## Average Costs

### AVERAGE HEADLEASE RATES BY BUILDING CLASS



### OPERATING COSTS BY BUILDING CLASS



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