

# Calgary's Third Quarter Downtown Office Landscape

Office Market Analysis **Calgary • Q3 2023**

**27%** OVERALL VACANCY RATE

**18.7%** CLASS AA

**25.9%** CLASS A

**40.9%** CLASS B

**26%** CLASS C

## SIGNIFICANT MOVES, ANNOUNCEMENT AND NOTABLE TRANSACTIONS:



TransCanada renewed approx. 122,000 sf of headlease space in Stock Exchange Building



Deloitte relocated to Bankers Hall West with a 100,000 sf headlease



PwC renewed approx. 100,000 sf of headlease space in Suncor Energy Centre



TAQA North Ltd. renewed approx. 94,000 sf in Jamieson Place.

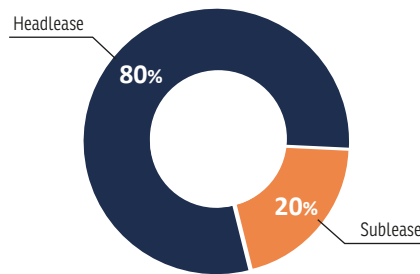


Baytex Energy renewed approx. 84,000 sf in Centennial Place.

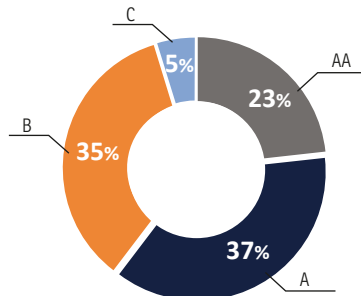
The theme of Q3 was 'cautious optimism', with some activity taking place as tenants continued seeking the best-appointed spaces Calgary's Downtown has to offer, but at a slower pace than during the previous quarter. The primary drivers of quarter-over-quarter vacancy reduction were sublease space takeback and inventory reduction as several office-to-residential conversion projects under the City's *Downtown Development Incentive Program* (DDIP) are underway or set to begin in the near future.

The success of the program and removal of several buildings – primarily B and C Class

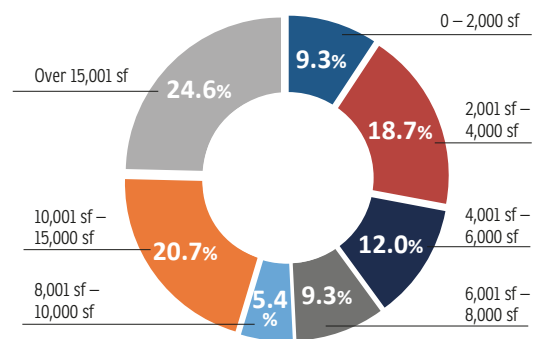
## HEADLEASE VS. SUBLEASE DISTRIBUTION



## DISTRIBUTION OF TOTAL AVAILABLE SPACE BY BUILDING CLASS



## DISTRIBUTION OF OPTIONS BY SIZE RANGE



product – is key to reducing the disproportionately high vacancy rates in those classes which have been persistently in the low 30% to low 40% ranges for several years. Demand for space in B and C Class properties softened significantly in recent years as tenants sought higher-quality locations or were otherwise motivated to move as their buildings due to pending conversions. Either way, tenants have been finding that the AA/A spaces in demand are becoming more costly.

Based on assumptions that total occupancy remains consistent and no new office product is introduced to the Downtown, it's estimated that the DDIP program could reduce overall Downtown vacancy by upwards of 10%. Speaking to the point above, the reduced variety of options is anticipated to put further upward pressure on lease rates in the best quality buildings.

Also of note, Calgary's Downtown office market has experienced a significant downward change in the ratio of sublease to headlease vacancy during the third quarter, continuing a trend seen over the past several years. Between the aforementioned sublease space takebacks and general sublease expiries, sublease space to accounted for just 20% of total office availability in the third quarter of 2023; a significant decrease compared to 2015 when sublease space represented half of available space.

## Opportunities by Building Class and Size

The highest concentrations of available options were in the 15,000+ sf range (24.6%) and in the 10,000 sf – 15,000 sf range (20.7%) while the 8,001 sf – 10,000 sf and 6,001 sf – 8,000 sf ranges contained the fewest options at 5.4% and 9.3%, respectively.

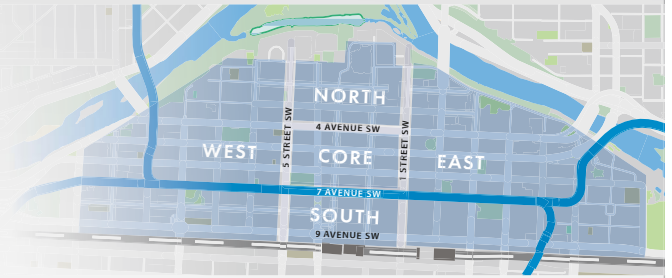
### HEADLEASE OPPORTUNITIES BY BUILDING CLASS AND SIZE RANGE

Size Range	AA	A	B	C
0 – 2,000 sf	2	8	61	25
2,001 sf – 4,000 sf	6	28	120	37
4,001 sf – 6,000 sf	8	25	75	15
6,001 sf – 8,000 sf	3	17	58	12
8,001 sf – 10,000 sf	3	7	35	8
10,001 sf – 15,000 sf	7	73	122	12
15,001+	58	96	36	2
<b>Overall</b>	<b>87</b>	<b>254</b>	<b>507</b>	<b>111</b>

### SUBLEASE OPPORTUNITIES BY BUILDING CLASS AND SIZE RANGE

Size Range	AA	A	B	C
0 – 2,000 sf	0	3	3	1
2,001 sf – 4,000 sf	4	7	3	2
4,001 sf – 6,000 sf	0	2	8	0
6,001 sf – 8,000 sf	6	2	4	1
8,001 sf – 10,000 sf	1	4	2	0
10,001 sf – 15,000 sf	3	9	4	0
15,001+	42	33	6	0
<b>Overall</b>	<b>56</b>	<b>60</b>	<b>30</b>	<b>4</b>

## Distribution of Available Space



### VACANCY RATE BY LOCATION

CORE **23.1%**

NORTH **21%**

EAST **23.9%**

SOUTH **17.3%**

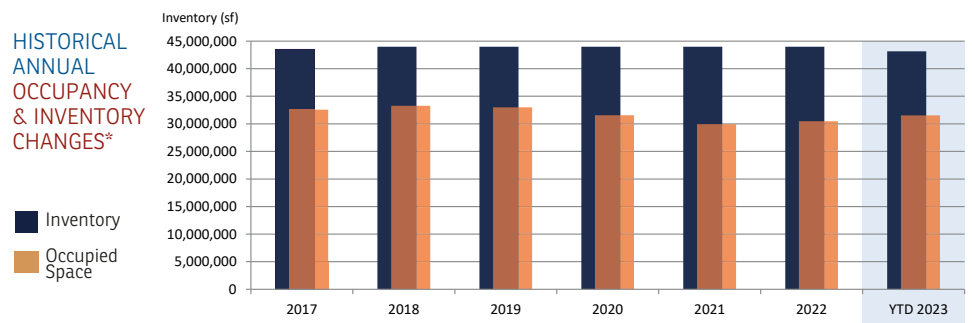
WEST **46.7%**

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

	AA	A	B	C
CORE	122,485 8.75%	1,280,946 19.72%	963,492 41.30%	52,621 20.98%
NORTH	843,459 18.15%	258,965 20.78%	172,782 88.14%	0 N/A
EAST	971,805 23.71%	347,834 14.21%	774,342 43.33%	10,524 2.24%
SOUTH	358,365 9.47%	931,845 23.28%	133,807 35.05%	33,971 13.85%
WEST	409,858 76.90%	1,501,115 60.47%	2,020,413 38.65%	453,175 39.43%

## Changes in Occupancy

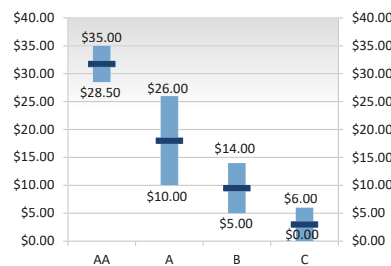
### HISTORICAL ANNUAL OCCUPANCY & INVENTORY CHANGES\*



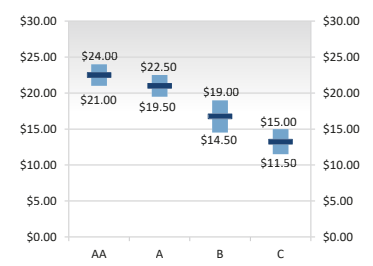
\* Barclay Street's inventory has been adjusted based on removal of several Downtown commercial office buildings, per The City of Calgary's list of approved office-to-residential conversions: <https://www.calgary.ca/development/downtown-incentive.html>

## Average Costs

### AVERAGE HEADLEASE RATES BY BUILDING CLASS



### OPERATING COSTS BY BUILDING CLASS



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