

Q1 2022

Calgary

Downtown Office Market Report

Net Absorption

This Quarter	Previous Quarter
195K SF	46K SF
12-Month Absorption	3-Year Quarterly Avg.
-137K SF	-195K SF

Vacancy

This Quarter	Year-over-Year
30.85%	↓ 33 bps
Total Vacant Space	
13.59M SF	

Direct Vacancy

This Quarter	Previous Quarter
24.33%	24.47%

Sublease Vacancy

This Quarter	Previous Quarter
6.30%	7.30%

CMN Calgary Inc.

Market Outlook

Calgary's Downtown office market has continued to experience increased leasing activity, resulting in Q1 2022 being the second consecutive quarter of positive absorption. Class AA office space performed exceptionally well in Q1 with just under 225,000 square feet of positive absorption, the most positive absorption in the Class AA segment since Q3 of 2018. Class A office space reported modest positive absorption in Q1 of 30,000 square feet, while Class B office space remained relatively flat showing a growth in occupancy slightly less than 10,000 square feet. Class C office space was the only market segment that experienced negative absorption in Q1 with 68,000 square feet of overall contraction, in part demonstrating the continued flight to quality for downtown office space. Another contributing factor to this contraction is the reclassification and removal of several buildings from office inventory which primarily occurred in the class C market. In total, four buildings were reclassified to better reflect their position in the market relative to others located downtown, and five buildings were removed from inventory. Most notably three buildings, Sierra Place, SNC Lavalin Centre, and Canadian Centre were removed as they are set for residential conversions in part subsidized by Calgary's Downtown Revitalization Project, with deals closing on SNC Lavalin Centre and Canadian Centre this quarter, and construction on Sierra Place already underway.

With downtown vacancy remaining high at 30.85%, its composition paints a slightly more interesting picture than that of a market that is one third vacant. Downtown's West End (West of 5 Street SW) accounts for about 25% of the overall inventory, but accounts for nearly 40% of the overall vacancy primarily due to its high concentration of Class B and Class C office buildings. Conversely, though Class AA office

space in the Central Core (Centre Street to 5 Street SW) accounts for over 30% of total inventory, it contributes only 14% of total vacant space, with Class AA headlease and sublease vacancy rates in that area of ~9% and ~5%, respectively. For tenants in the market seeking Class AA office space 50,000 square feet or greater located in the Central Core, available options are reduced down to just 8 different contiguous blocks of space.

The availability of sublease space in Calgary's central business district also remains a tale of two markets. Sublease vacancy in Calgary's Downtown office market accounts for roughly 2.8 million square feet, of which 1.8 million square feet is controlled by four sublandlords. 65% of the overall sublease vacancy comes from large blocks of space in just 6 buildings (Bankers Hall West, Devon Tower, The Bow, Gulf Canada Square, and Western Canadian Place North and South). For occupiers looking for office space for between 5,000 and 10,000 square feet, but unable to fill an entire floor, the sublease market offers significantly fewer options than what is available for a group seeking 10,000 square feet and greater.

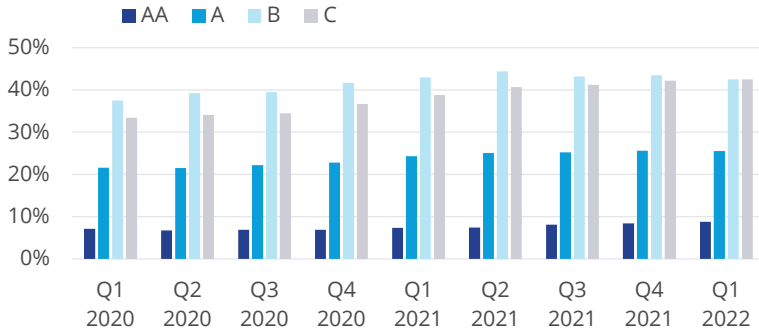
A 10 year high in oil pricing is sparking optimism in the energy sector and by extension Calgary's downtown office market. For the first time in several years, Colliers has seen companies in the energy sector looking to increase their overall office footprint, stepping away from the downsizing witnessed over the past few years. While we anticipate it will take many years for the vacancy rate to materially decrease, the appetite for downtown office space continues to increase, with quality options becoming harder to find and many landlords of high demand buildings evaluating rent expectations.

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Market Overview

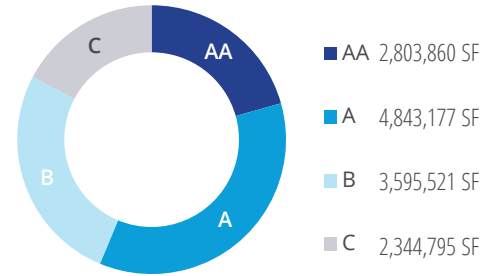
01 Downtown Direct Vacancy

% of Total Vacancy | Q1 2020 - Q1 2022



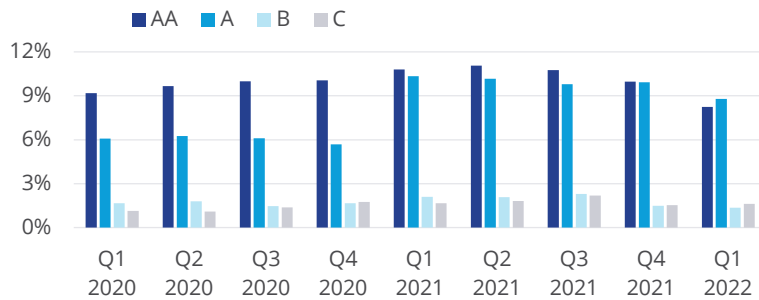
02 Vacancy Composition

By Building Class | Square Feet (SF)



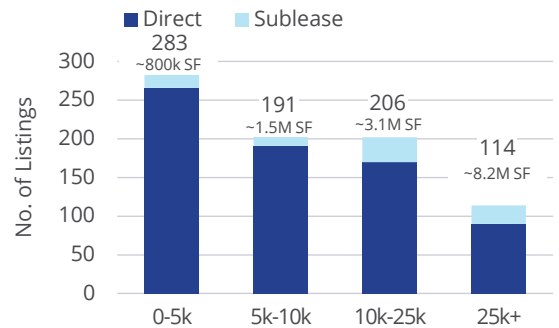
03 Downtown Sublease Vacancy

% of Total Vacancy | Q1 2020 - Q1 2022



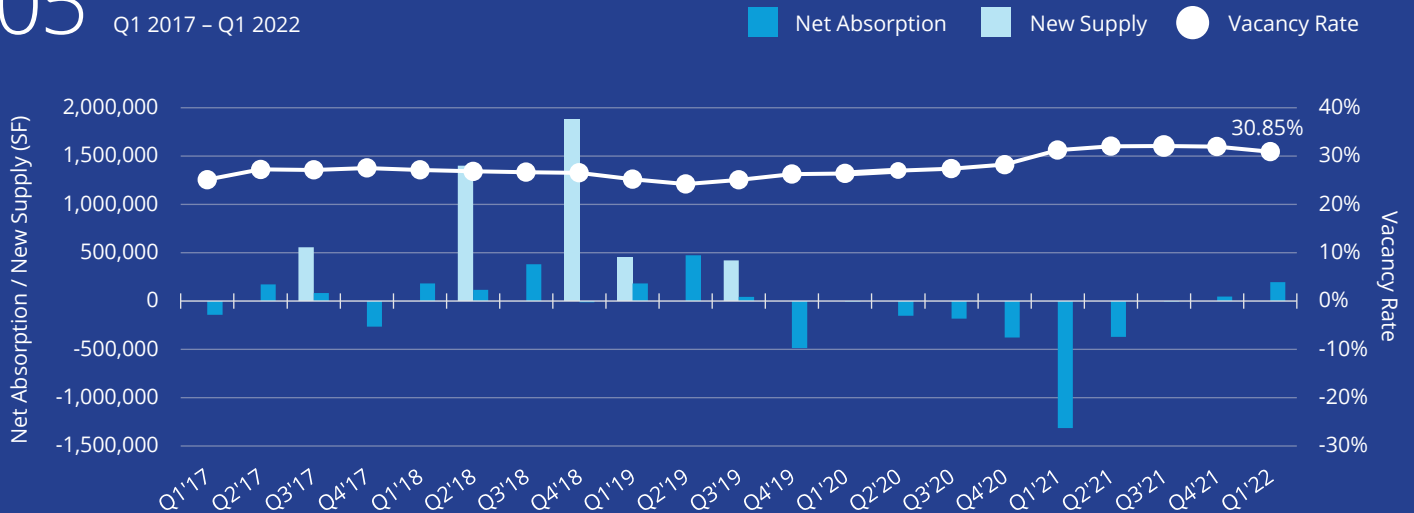
04 Downtown Vacant Space

By Size Range



05 Downtown Historical Overview

Q1 2017 - Q1 2022



Market Statistics & Transaction Highlights

Class	AA	A	B	C	Overall
No. of Buildings	21	34	39	65	159
Total Vacant Space					
Current Quarter	2,803,860 SF	4,843,177 SF	3,595,521 SF	2,344,795 SF	13,587,353 SF
Previous Quarter	3,027,133 SF	4,873,257 SF	3,752,325 SF	2,439,844 SF	14,092,559 SF
Vacancy Rate					
Current Quarter	17.05%	34.35%	43.92%	44.11%	30.85%
Previous Quarter	18.41%	34.57%	45.02%	44.53%	31.77%
Direct Vacancy					
Current Quarter	8.80%	25.56%	42.56%	42.49%	24.33%
Previous Quarter	8.44%	24.70%	43.54%	43.00%	24.47%
Sublease Vacancy					
Current Quarter	8.25%	8.79%	1.36%	1.62%	6.30%
Previous Quarter	9.96%	9.87%	1.48%	1.53%	7.30%
Direct Available Space					
Current Quarter	1,446,428 SF	3,604,008 SF	3,484,300 SF	2,258,705 SF	10,793,441 SF
Previous Quarter	1,388,618 SF	3,481,708 SF	3,628,927 SF	2,356,062 SF	10,855,315 SF
Sublease Available Space					
Current Quarter	1,357,432 SF	1,239,169 SF	111,221 SF	86,090 SF	2,793,912 SF
Previous Quarter	1,638,515 SF	1,391,549 SF	123,398 SF	83,782 SF	3,237,244 SF
Net Absorption					
Current Quarter	223,273 SF	30,080 SF	9,703 SF	-68,106 SF	194,950 SF
Previous Quarter	85,836 SF	-67,279 SF	42,693 SF	-15,625 SF	45,625 SF

Notable Lease Transactions

Tenant	Building Name / Address	Market	Transaction Type	Size (SF)
Gran Tierra Energy Inc.	The Bow, 500 Centre Street SE	East	Sublease	75,985
Bantrel Co.	Stephen Avenue Place, 700 2 Street SW	Central	Sublease	59,546
Strathcona Resources Ltd.	TD Canada Trust Tower, 421 7 Avenue SW	Central	Headlease	55,447
*Parex Resources Inc.	Eighth Avenue Place – West, 585 8 Avenue SW	Central	Sublease	49,422
Wolf Midstream Inc.	Centennial Place – East, 520 3 Avenue SW	Central	Headlease	43,744
*Sovereign Insurance	Centennial Place – East, 520 3 Avenue SW	Central	Headlease	21,274

* Colliers involved in transaction

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For more information on the Calgary Office Market, please contact:

Ian Huston

Managing Director
Calgary | Brokerage
+1 403 265 6495
ian.huston@colliers.com

Report Author:

Cole Trifunov
Research Analyst
+1 403 298 0416
cole.trifunov@colliers.com

National Research Contacts:

Leo Lee

Director, National
Research Operations
+1 416 620 2839
leo.lee@colliers.com

Max Shapinko

Research Operations
Specialist | Canada
+1 416 791 7256
max.shapinko@colliers.com

Report Contributors:

Aly Lalani | Executive Vice President | Partner
Jim Rea | Executive Vice President | Partner
Dan Lannon | Senior Vice President | Partner
Warren Hedges | Senior Vice President | Partner
Todd Sutcliffe | Senior Vice President | Partner
Leigh Kirnbauer | Vice President | Partner
Craig Hulsman | Vice President | Partner
David Harvey | Senior Vice President
Doug May | Senior Vice President
Kevin McGillis | Senior Vice President
Patrick McGillis | Senior Associate
Casey Roland | Associate | Team Transaction Manager
Jane Taylor | Associate | Team Transaction Manager

Jarrett Rafuse | Associate
Jody Sick | Associate
Landon King | Associate
Cassie Van Kessel | Associate | Office Project Specialist
Nishan Yihalem | Office Project Specialist
Holly Turnpenny | Office Project Specialist
Bill Zhao | Market Data Coordinator

Workplace Strategy & Innovation:

Robyn Baxter | Senior Vice President | Co-Managing Director
Sarah Bramley | Vice President
Kelly Zarchekoff | Consultant

Colliers Canada | Calgary

CMN Calgary Inc.
335 8th Avenue SW, Suite 900, Calgary, AB, T2P 1C9
+1 403 266 5544

collierscanada.com/research



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