

# Calgary

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## Large transactions in downtown submarkets dominate market for second straight quarter

The stabilization of Alberta's monthly office employment growth at the close of 2023 continued in Q1 2024. Meanwhile, Calgary's office availability declined by 90 basis points (bps) year over year, driven both by conversion of under-performing assets, and efforts to consolidate office footprints in what is still a tenant-favorable market. Available sublease space declined dramatically from a year ago, falling more than 36% to 2.2 million square feet (msf). This was due in part to more than 140,000 square feet (sf) of sublease availability at The Bow removed from the market this quarter.

### Downtown submarkets drive leasing activity

The 10 largest office leases executed this quarter occurred within downtown Calgary, with the energy & utilities sector driving a significant portion of the leasing activity with several multi-floor transactions. The nature of transaction types were not uniform in the first quarter, as there were significant renewals, expansions, relocations, new leases, and contractions. Such variability indicates that tenant characteristics are far from uniform, with some firms continuing to right-size, others expanding, and some seeking to take advantage of landlord concessions in a rapidly tightening market.

### Rental rate increases picks up momentum

Overall average asking rents at the end of the first quarter averaged \$33.02 per square foot (psf), a 5.0% increase over last year. Rental rate growth across the Downtown submarkets was largely responsible for the increase. This increase may represent a moderate shift away from the tenant-favorable market dynamic that has been the norm across the market since 2015. Meanwhile, construction costs continue to rise, and inducements fell, driving tenants to look at move-in ready subleases or longer-term headleases in an effort to either avoid or amortize upfront costs, respectively.

## Key Statistics

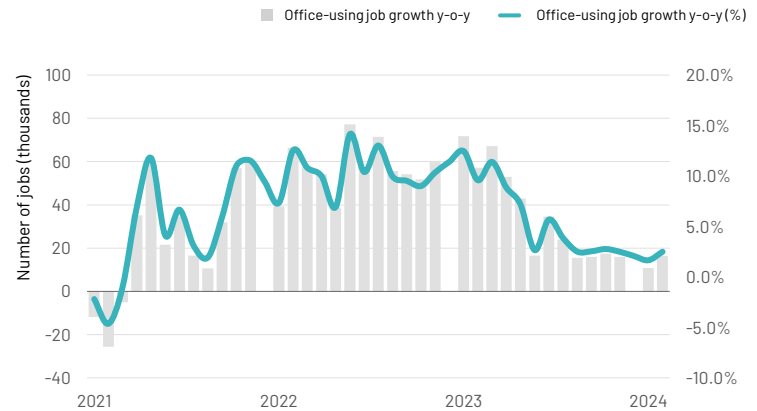
	Q1 2023	Q1 2024	Y-0-Y
Inventory	80.4 msf	78.0 msf	-2.4 msf
Availability Rate	23.1%	22.1%	-100 bps
Asking Rental Rate	\$31.45	\$33.02	+5.0%
Class A Asking Rental Rate	\$38.04	\$40.09	+5.4%
Quarterly Leasing Activity	0.7 msf	0.9 msf	+0.2 msf
Available Sublease Space	3.4 msf	2.2 msf	-1.2 msf

## Outlook

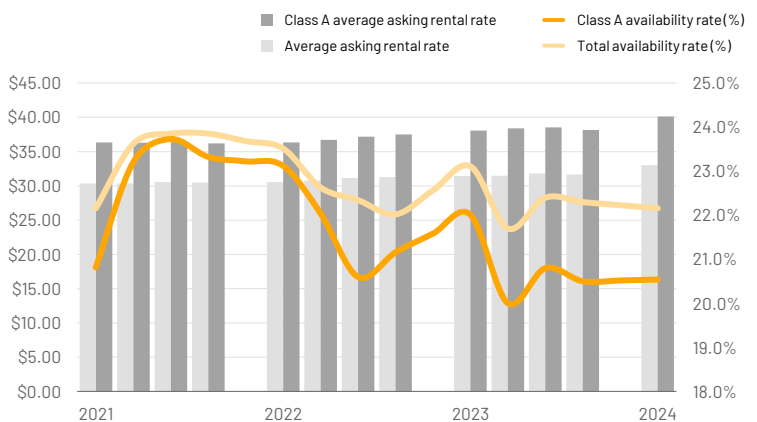
- 01** Competition for premium spaces will continue to drive up face rents and reduce concessions; for the time being, the market is still largely tenant-favorable
- 02** Strong leasing activity downtown as firms continue to re-assess their office footprint; subleases with the potential for headlease renewal could see a surge in popularity

- 03** Favorable economic & demographic conditions in Alberta leave Calgary well positioned to take advantage of expected interest rate decreases and heightened business investment

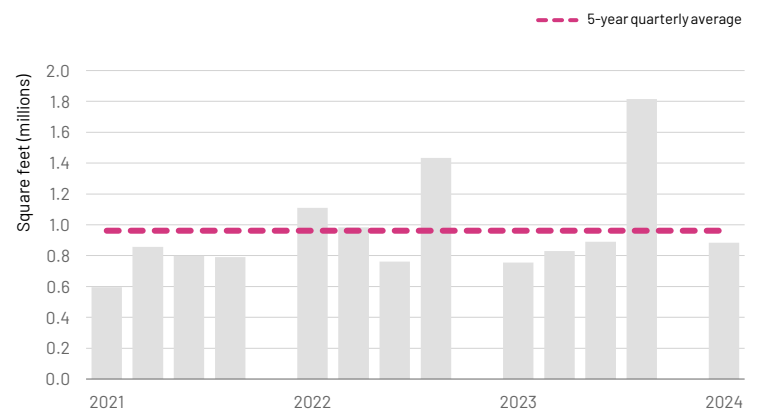
## Office-using Employment Growth



## Asking Rent and Availability



## Leasing Activity



# Top Transactions

\*Trophy Building

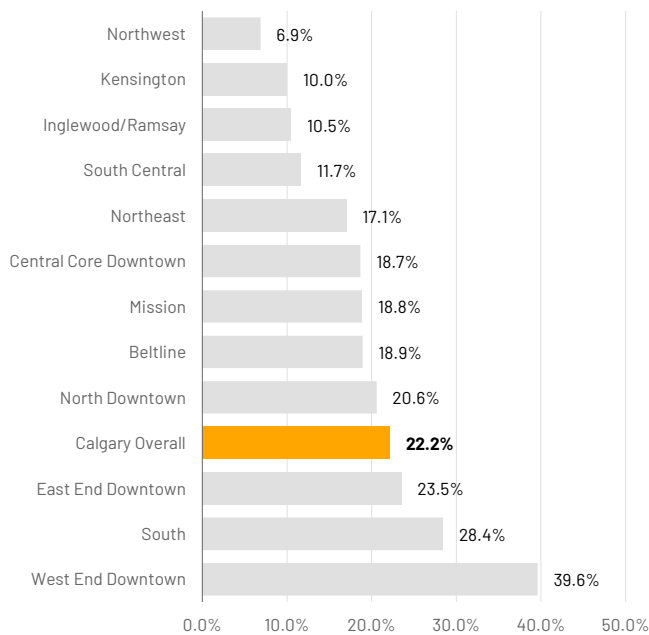
\*\*Sublease

Source: Savills Research

TENANT	INDUSTRY	SUBMARKET	ADDRESS	SIZE (SF)	TRANSACTION TYPE
Olympia Trust Company	Financial Services and Insurance	North Downtown	520 3 <sup>rd</sup> Avenue SW	88,000	Renewal and Expansion
South Bow Corporation	Energy & Utilities	West End Downtown	707 5 <sup>th</sup> Street SW	88,000	New Location
Gowlings WLG	Legal Services	Central Core Downtown	421 7 <sup>th</sup> Avenue SW	65,000	Renewal and Contraction
Obsidian Energy Ltd.	Energy & Utilities	Central Core Downtown	207 9 <sup>th</sup> Avenue SW	55,000	Renewal and Contraction
geoLOGIC Systems Ltd.	TAMI	Central Core Downtown	401 9 <sup>th</sup> Avenue SW	48,000	Renewal
ConocoPhillips	Energy & Utilities	Central Core Downtown	401 9 <sup>th</sup> Avenue SW	47,000	Expansion
Kingston Midstream	Energy & Utilities	North Downtown	308 4 <sup>th</sup> Avenue SW	44,000	Renewal and Expansion
Keywest Engineering	Architecture, Engineering and Construction	Central Core Downtown	333 7 <sup>th</sup> Avenue SW	29,176	Relocation and Contraction
Capital Power	Energy & Utilities	North Downtown	215 2 <sup>nd</sup> Street SW	27,607	Relocation
Teine Energy	Energy & Utilities	North Downtown	520 3 <sup>rd</sup> Avenue SW	22,000	Expansion

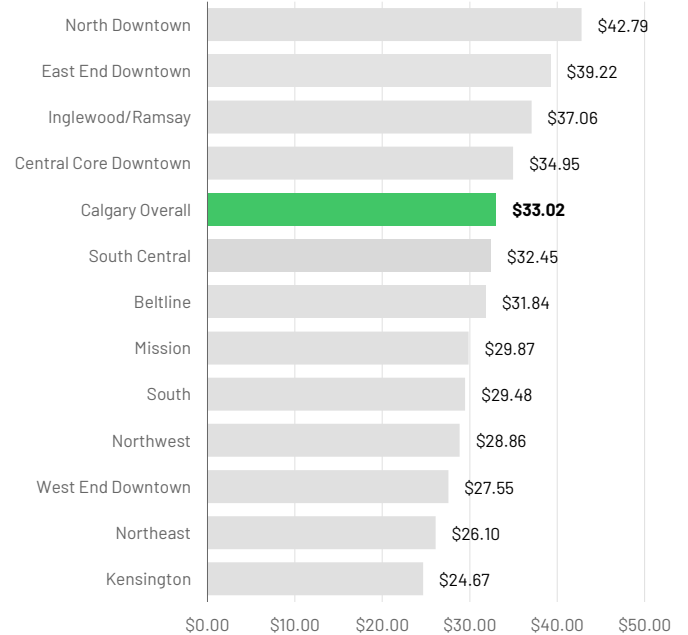
## Availability Rate Comparison (%)

CALGARY SUBMARKETS



## Rental Rate Comparison (\$/sf)

CALGARY SUBMARKETS



## Calgary Q1 2024 - Office

For more information, please contact us:

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Unless otherwise noted, all rents quoted throughout this report are average asking gross (full service) rents per square foot. Statistics are calculated using both direct and sublease information. Current and historical availability and rent data are subject to change due to changes in inventory.

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