

Calgary

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Energy sector drives office leasing activity downtown; office market continues to tighten

The second quarter of 2024 posted stronger year over year office-using employment growth in Alberta, reaching 5.0%. Calgary's office market continues to experience the same trends as the previous two quarters, with tightening availability and steadily rising rental rates. Modern, Class AA/A buildings continue to outperform and are experiencing increasing competition for contiguous space. As a result, the overall availability rate has declined 130 basis points (bps) from last year to 20.4%, with only two submarkets, South and West End Downtown, respectively, having a higher availability rate than the overall market. Functionally obsolete buildings, especially in the West End Downtown submarket, continue to inflate overall availability rates. Sublease space now sits at just over 2 million square feet (msf), down significantly from 2.9 msf reported a year ago.

North Downtown leads leasing activity

Overall leasing activity was 0.8 msf, down from 0.9 msf reported last quarter but flat from a year ago. As in the previous quarter, the 10 largest office leases executed in Q2 2024 occurred within downtown Calgary, this time concentrated in the North Downtown submarket. The energy sector led the way in leasing activity with 8 of the top 10 leases reported this quarter in that sector with a healthy mix of renewals, expansions, and new leases. Engineering and construction firms have been active in leasing suburban office space as the strong performance of the energy sector generates business for this adjacent industry.

Rental rate increases maintain momentum

Asking rents averaged at \$33.18 per square foot, a 5.4% increase over last year. At the top of the market, higher rates are only one component driving up net effective rates (NER's), as landlords are less willing to provide cash for tenant improvement, with concessions falling across the board.

Key Statistics

	Q2 2023	Q2 2024	Y-0-Y
Inventory	79.7 msf	77.9 msf	-1.8 msf
Availability Rate	21.9%	20.4%	-150 bps
Asking Rental Rate	\$31.47	\$33.18	+5.4%
Class A Asking Rental Rate	\$38.40	\$40.77	+6.2%
Quarterly Leasing Activity	0.8 msf	0.8 msf	0.0 msf
Available Sublease Space	2.9 msf	2.0 msf	-0.9 msf

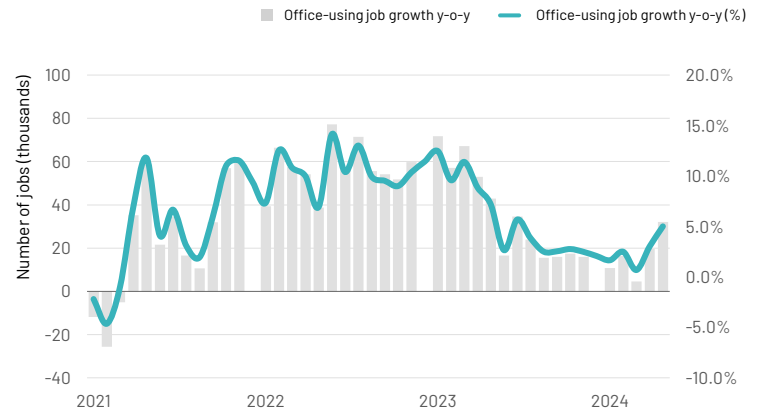
Outlook

01 Class AA/A office space is tightening considerably faster than the rest of the market. This trend will likely continue, if not accelerate, for the remainder of the year

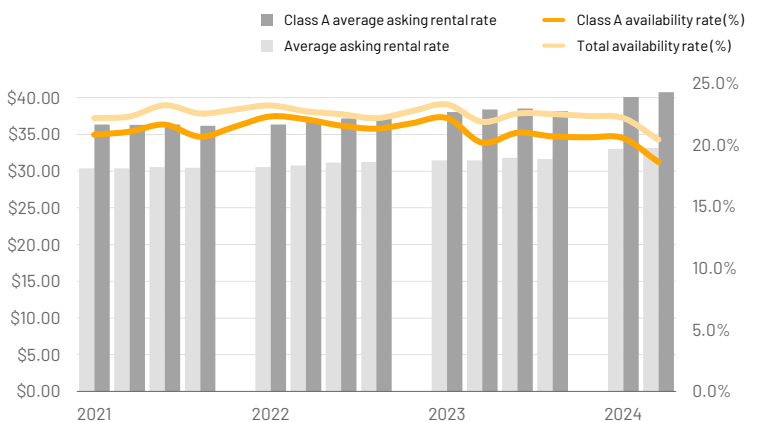
02 Tenants with 2026 and 2027 lease expirations are starting to become active in the market which will coincide with an ever-tightening premium office market

03 As contiguous blocks of office space become ever-scarcer downtown, high quality suburban office space will be an attractive alternative and experience an increase in tenant demand

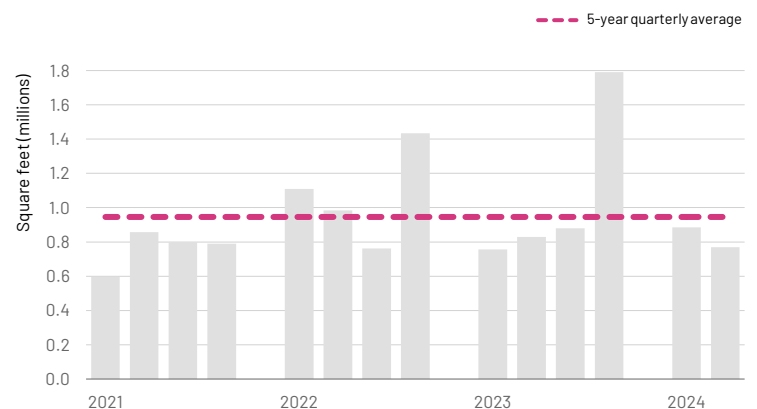
Office-using Employment Growth



Asking Rent and Availability



Leasing Activity



Top Transactions

*Trophy Building

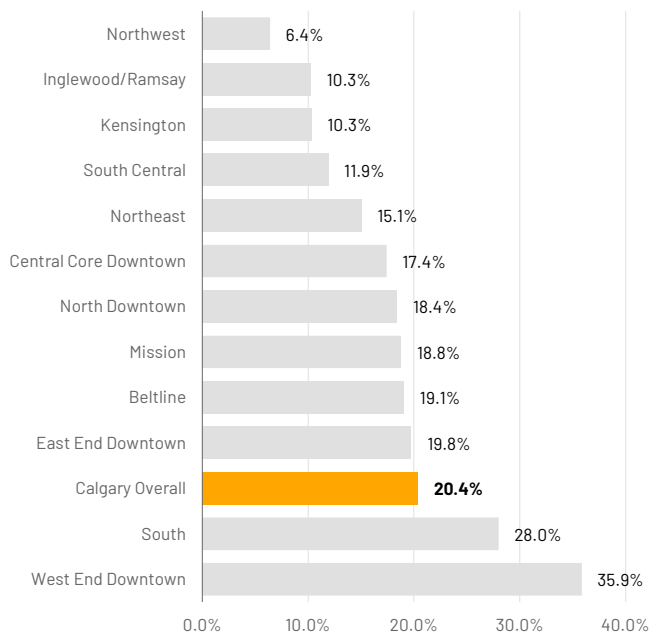
**Sublease

Source: Savills Research

TENANT	INDUSTRY	SUBMARKET	ADDRESS	SIZE (SF)	TRANSACTION TYPE
Alberta Securities Commission	● Government	North Downtown	250 5 th Street SW*	120,000	Renewal and Expansion
Sinopec Canada Energy Ltd	● Energy & Utilities	East End Downtown	112 4 th Avenue SW	85,456	Renewal
Peyto Exploration & Development Corp	● Energy & Utilities	West End Downtown	600 3 rd Avenue SW*	51,000	Renewal and Expansion
Neo Financial	● Financial Services and Insurance	Central Core Downtown	401 9 th Avenue SW	48,000	Renewal
NuVista Energy Ltd.	● Energy & Utilities	Central Core Downtown	525 8 th Avenue SW*	36,850	Renewal
Woodcote Oil & Gas Ltd.	● Energy & Utilities	North Downtown	222 3 rd Avenue SW	36,000	Renewal and Expansion
West Lake Energy Corp	● Energy & Utilities	Central Core Downtown	333 7 th Avenue SW	28,500	Relocation
Highwood Asset Management Ltd	● Energy & Utilities	North Downtown	250 2 nd Street SW	22,000	Relocation**
Teine Energy	● Energy & Utilities	North Downtown	520 3 rd Avenue SW*	22,000	Expansion
Battle River Energy Ltd.	● Energy & Utilities	North Downtown	222 3 rd Avenue SW	17,000	Renewal and Expansion

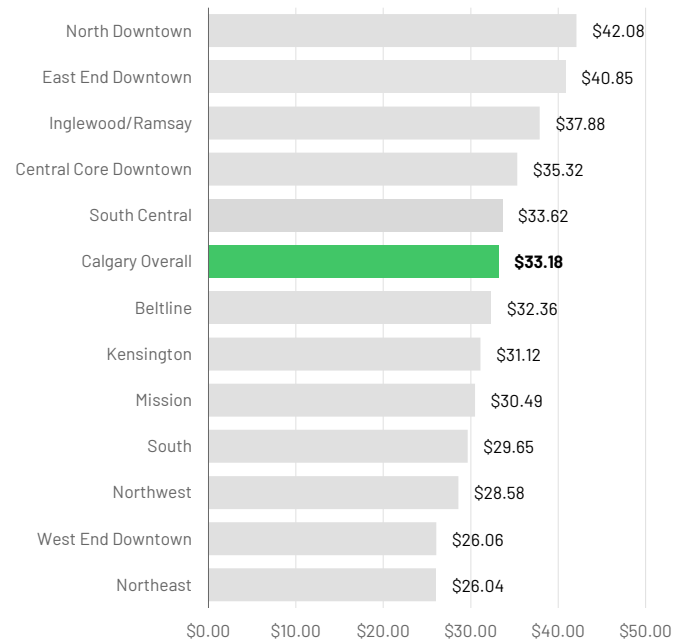
Availability Rate Comparison (%)

CALGARY SUBMARKETS



Rental Rate Comparison (\$/sf)

CALGARY SUBMARKETS



Calgary Q2 2024 - Office

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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.

The information in this report is obtained from sources deemed reliable, but no representation is made as to the accuracy thereof. Unless otherwise noted, source for data is Savills Research.

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