

Return to work policies continue to fuel higher leasing activity relative to two years ago

Much like last quarter, Calgary has continued to see a general rise in demand and leasing rates across both building quality and location. Labour Day in Calgary marked a point for many local businesses to pivot away from work from home policies to either hybrid or office-based workplace strategies. This has led many businesses to examine their current office inventory and seek changes to support their employee needs. As a result, availability has decreased and average asking rental rates have risen across the Calgary market. However, this demand is not equal across all office buildings as Class A buildings with multiple amenities have become highly sought-after. This flight to quality is tied to businesses looking to incentivize their employees to come back to the office by offering them the best space available.

Tenant inducements are gradually being reduced

It is important to note that landlords are increasingly cutting back on tenant inducements. These inducements offered to tenants can take a wide range of forms, from free rent periods to contributions to renovations. Historically, the size of these inducements has been linked to demand in the market. During the COVID-19 pandemic when demand for office space was lower, inducements climbed to very high levels to incentivize prospective tenants to relocate. Last quarter, the average tenant inducement in Downtown was \$35.72 per square foot (psf) whereas this quarter it is \$34.79 psf. This is especially important to note for tenants as labour and material costs have increased dramatically in the short-term.

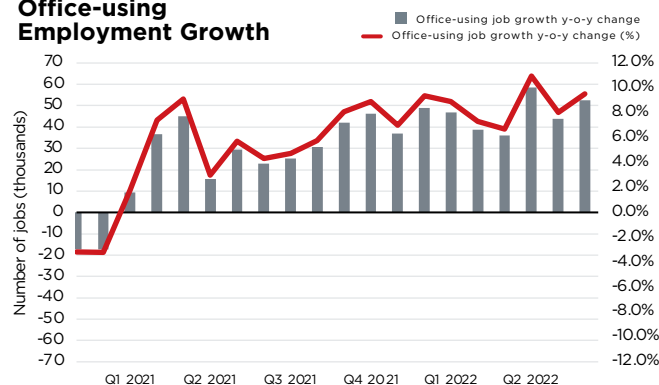
Alberta's positive economic fortunes continue to impact the Calgary market

Alberta continues to grow economically with strong office-using employment growth and a relatively low unemployment rate, especially against the backdrop of shaky global energy markets which typically impacts the fortunes of Calgary heavily. Despite economic uncertainty in the energy sector, leasing activity and employment growth has remained steady. There are likely many explanations for why this is the case, from relatively cheaper cost of living compared to other major business hubs in Canada, to the long-term success in diversifying the local Calgary economy.

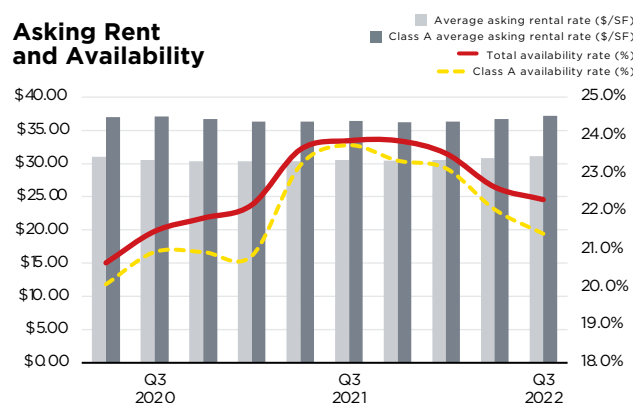
Key Statistics

	Q3 2021	Q3 2022	y-o-y Change
Inventory	81.2 MSF	81.2 MSF	◀▶
Availability Rate	23.9%	23.3%	▼
Asking Rental Rate	\$30.55	\$31.14	▲
Class A Asking Rental Rate	\$36.37	\$37.17	▲
Quarterly Leasing Activity	0.8 MSF	0.8 MSF	◀▶
Available Sublease Space	3.7 MSF	3.1 MSF	▼

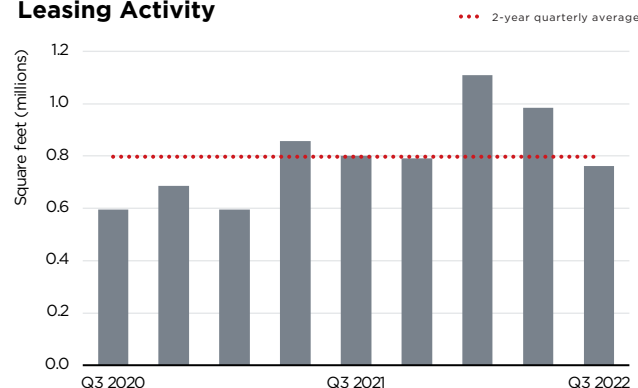
Office-using Employment Growth



Asking Rent and Availability



Leasing Activity



Outlook

- Rental rates are gradually increasing, and availability is decreasing as employers reevaluate workplace strategies. A continued flight to quality impacts class A buildings.
- Tenant inducements are gradually decreasing as demand and costs of building out space increases.
- Despite immediate and future economic uncertainty in the energy sector, Calgary's market in the short term continues to display optimistic signals.

By the Numbers

5.4%

Alberta unemployment rate
(as of August 2022)

10.0%

Alberta office-using employment
growth year-over-year
(as of August 2022)

0.3 msf

Office space currently
under construction

Top Transactions

Tenant	Square Feet	Address	Transaction Type	Submarket	Industry
MNP LLP	85,000	112 4th Avenue SW	Relocation	North Downtown	Accounting
Wood Engineering	78,000	2535 3rd Avenue SE	Relocation	Northeast Suburban	Engineering
Quorum Software Inc.	45,000	250 2nd Street SW	Relocation	North Downtown	TAMI
Canadian Natural Resources Ltd.*	41,000	888 3rd Street SW	Relocation	Central Core Downtown	Energy
Cardinal Energy	40,000	400 3 rd Avenue SW	Renewal	North Downtown	Energy
Bell Canada	35,000	217 11th Avenue SW	Relocation	Beltline	TAMI
Aveva	34,000	28 Quarry Park Boulevard SE	Relocation	South Suburban	TAMI
Kelt Exploration	26,000	311 6th Avenue SW	Renewal	Central Core Downtown	Energy
Wawanesa Insurance	19,000	400 3rd Avenue SW	Relocation	North Downtown	Financial Services
First Executive Centre	19,000	350 7th Avenue SW	Renewal	Central Core Downtown	Coworking

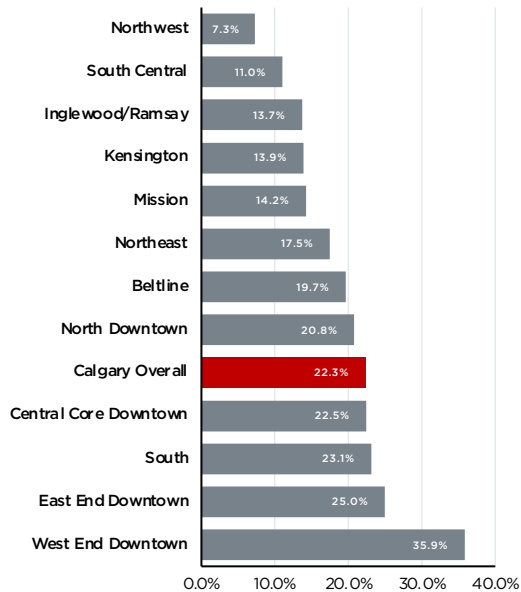
*Sublease

Source: Savills Research

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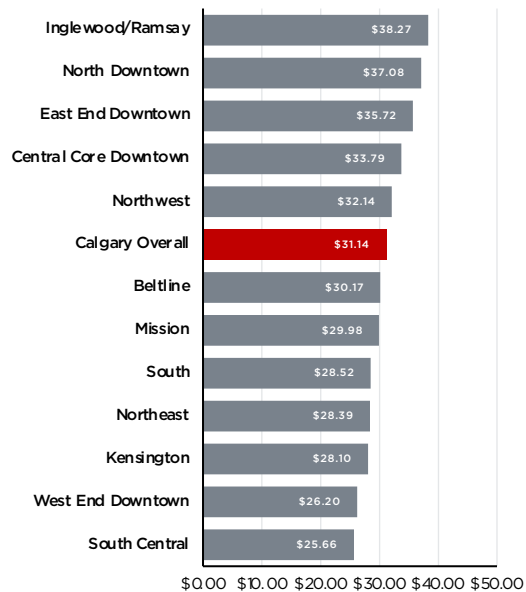
Availability Rate Comparison (%)

Calgary Submarkets



Rental Rate Comparison (\$/SF)

Calgary Submarkets



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 vacancy 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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