

Healthier market fundamentals fuel continued positivity at the close of 2022

In a continuation of the trend from last quarter, Calgary exhibited a steady increase in gross asking rental rates across the office sector. Overall asking rents tracked up 2.6% over the year, to \$31.27 per square foot (psf). Asking rent increases were observed to be even greater in the Class A and above buildings across downtown. This phenomenon was indicative of a continued flight to quality as employers showed a preference for newer, highly amenitized office space in order to attract more talent into their businesses and offices. While Class B and C buildings continued to struggle with high vacancy and low demand, the market's overall availability rate trended lower, decreasing 190 basis points (bps) over the past 12 months.

Rising operations costs passed through to tenants, contributing to higher gross rental rates

Increases in operation costs have trended upward across the office sector in Calgary in recent quarters. While operation costs cover vary from landlord to landlord, they generally include a combination of maintenance and realty tax. In Class A and above buildings downtown, the average increase was \$0.70 per square foot (psf) over the last quarter. These increases could be attributed to a variety of factors, one of which being the prospect of increased property values leading to higher taxes. As activity and interest in office space downtown increases the valuation of the properties increase and landlords subsequently owe more in taxes. Rising prices for energy and heating costs were also behind the observed increase in operations costs.

Despite macroeconomic uncertainty, leasing surges at close of year

Economic uncertainty were felt both locally and globally at the close of 2022. In Calgary's case, highly fluctuant energy markets raised concerns in its energy-based economy. Despite this turbulence, oil and gas prices remained consistently above average, and the outlook for the industry in 2023 was largely positive. This sentiment was reflected in several large energy businesses demonstrating their confidence by renewing their large office occupancies this quarter. In the largest transaction recorded this quarter, ARC Resources recommitted to 275,000 square feet at 308 4th Avenue Southwest in the North Downtown submarket. Meanwhile, Alberta continued to observe strong office-using employment growth which are expected to continue into 2023.

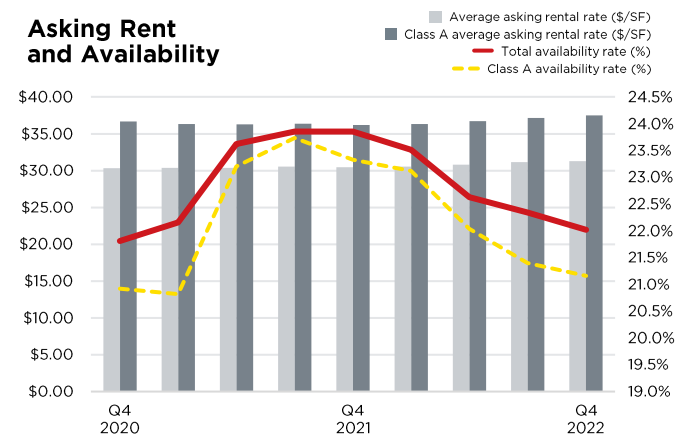
Key Statistics

	Q4 2021	Q4 2022	y-o-y Change
Inventory	81.2 MSF	81.0 MSF	▼
Availability Rate	23.9%	22.0%	▼
Asking Rental Rate	\$30.48	\$31.27	▲
Class A Asking Rental Rate	\$36.19	\$37.51	▲
Quarterly Leasing Activity	0.4 MSF	1.7 MSF	▲
Available Sublease Space	3.4 MSF	3.2 MSF	▼

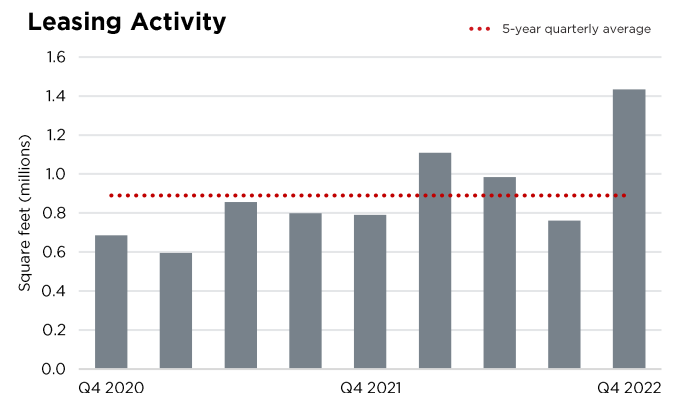
Office-using Employment Growth



Asking Rent and Availability



Leasing Activity



Outlook

- Rental rates are expected to trend upward in 2023 while availability rates may trend lower as occupancy improves across the region
- Operating costs are expected to continue to grow throughout the year as more landlords adjust to the higher costs of maintaining their buildings
- Leasing activity in the quarters to come may not be sustained at the high level observed this period but on average, deal volumes are expected to remain at healthy levels in 2023

By the Numbers

5.8%Alberta unemployment rate
(as of December 2022)**8.3%**Office-using employment growth
year over year (as of December
2022)**0.3 msf**Office space currently
under construction

Top Transactions

Tenant	Square Feet	Address	Transaction Type	Submarket	Industry
ARC Resources	275,000	308 4 Avenue SW	Renewal	North Downtown	Energy
Worley	97,000	49 Quarry Park Boulevard SE	Relocation	South	Engineering
BGC Engineering	48,000	237 4 Avenue SW	Relocation	Central Core Downtown	Engineering
Ember Resources	40,000	400 3 Avenue SW	Renewal	North Downtown	Energy
Paramount Resources	36,000	421 7 Avenue SW	Renewal & Downsize	Central Core Downtown	Energy
Convergent IT	30,000	6025 11 Street SE	New Location	South Central	TAMI
Chronos Resources*	27,000	215 2nd St SW	Sublease	North Downtown	Energy
Vista Projects	24,000	4000 4 Street SE	Relocation	South Central	Engineering
Pivotal Energy Partners	22,000	855 2 Street SW	Relocation	Central Core Downtown	Energy
POD Marketing	20,000	140 10 Avenue SE	Relocation	Beltline	Business Services

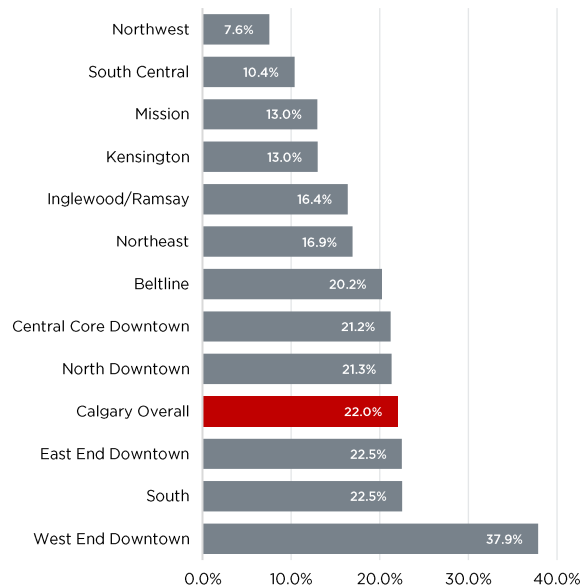
*Sublease

Source: Savills Research

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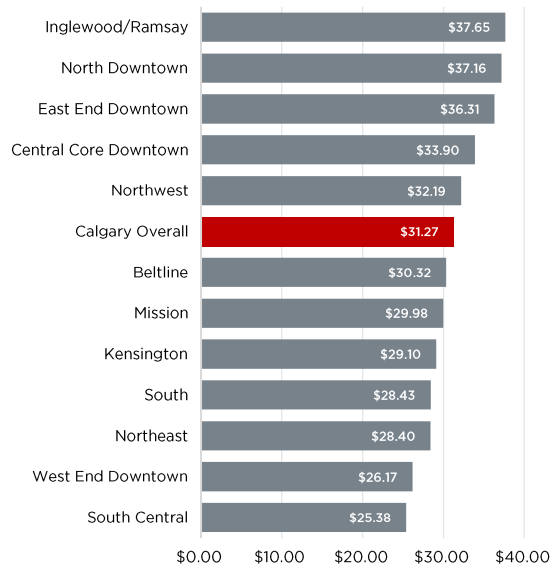
Availability Rate Comparison (%)

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 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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