

Continued stronger market fundamentals signal a steady post-pandemic recovery

The Calgary office market continued to experience a post-pandemic recovery across the city with increased average rental rate increases across all office building classes, especially in top-tier class A space. These increases signal that occupier demand for high quality office space remains high. The decrease in class A availability has led to steady rental rate increases at the top end of the market. The Class A average rental rate now sits at \$33.30 per square foot (psf) which is near the Q1 2020 pre-pandemic average rent of \$33.53 psf. Much like other markets, Calgary is experiencing a continued flight to quality in office space as businesses figure out their post-pandemic office space strategy.

Leasing activity down from last quarter but remains healthy

Calgary office leasing activity decreased slightly compared to the previous quarter. However, the sector remains busy with nearly 1 million (msf) in transaction volume. Compared to two years ago when leasing activity fell to less than 0.5 msf, demand in Calgary's office market has slowly recovered. The decrease from last quarter is sizable but leasing activity remains higher than a year ago as pent-up demand from the pandemic and the removal of business restrictions has caused business activity to increase. With continued optimism in key local industries, such as the energy sector, and one of the lowest provincial unemployment rates across Canada, leasing activity should remain at a healthy level moving forward.

Despite overall positivity, availability levels continues to rise

Over the course of the last eight years, Calgary has had a higher availability rate on average compared to other large Canadian cities. This quarter's increase can be attributed to several large tenants restructuring their office spaces and lowering their requirements. Shell Canada is the most notable example, vacating their namesake building to a much smaller sublease in the prestigious building, The Bow. This relocation alone resulted in an estimated 540,000 sf of office space returned to the market in downtown. However, the case remains that much of this availability exists in less desirable class B and C buildings which are now considered obsolete for most office occupiers. To combat this specific issue, the local government is offering large incentives to owners and investors looking to convert these office properties to residential use.

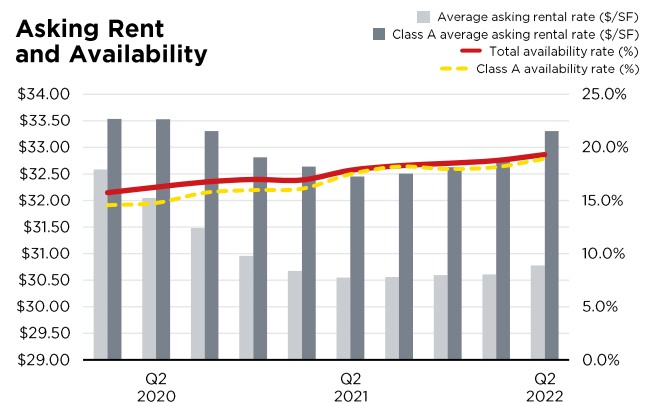
Key Statistics

	Q2 2021	Q2 2022	y-o-y Change
Inventory	92.2 MSF	92.4 MSF	▲
Availability Rate	17.8%	19.3%	▲
Asking Rental Rate	\$30.54	\$30.78	▲
Class A Asking Rental Rate	\$32.45	\$33.30	▲
Quarterly Leasing Activity	0.9 MSF	1.0 MSF	▲
Available Sublease Space	4.7 MSF	3.4 MSF	▼

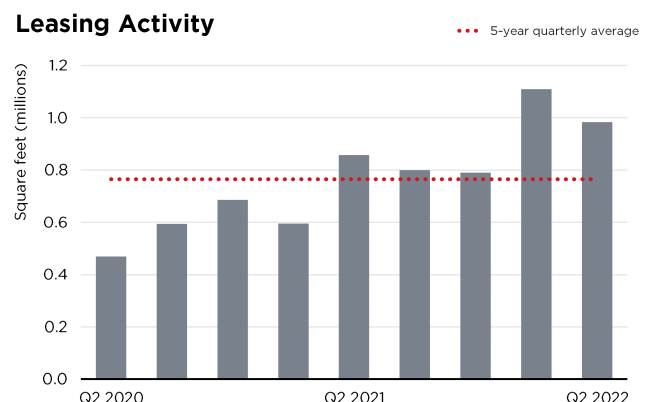
Office-using Employment Growth



Asking Rent and Availability



Leasing Activity



Outlook

- Rental rates are expected to slowly rise through 2022 as Calgary continues a period of growth after two years of declining rates across the city
- Leasing activity is expected to remain at current levels or slightly decline as companies continue to act on plans to return to the office this year
- Future economic uncertainty still looms over the local energy industry, but short-term positivity and public programs should decrease overall availability

By the Numbers

4.9%

Alberta unemployment rate
(as of June 2022)

11.0%

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

0.4 msf

Office space currently
under construction

Top Transactions

Tenant	Square Feet	Address	Transaction Type	Submarket	Industry
Shell Canada*	228,000	500 Centre Street	Relocation	East End Downtown	Energy & Utilities
Kiwetinohek	64,000	222 3rd Avenue SW	Relocation	North Downtown	Energy & Utilities
Co-Operators Financial	53,000	411 1st Street SE	Relocation	East End Downtown	Financial Services
Longview Communications	53,000	222 3rd Avenue SW	Relocation	North Downtown	TAMI
Surge Energy	45,000	520 3rd Avenue SW	Relocation	North Downtown	Energy & Utilities
Harvest Operations*	30,000	801 6th Street SW	Relocation	West End Downtown	Energy & Utilities
RSM	30,000	112 4th Avenue SW	Renewal	East End Downtown	Business Services
Mphasis Ltd.	26,000	411 1st Street SE	New Location	East End Downtown	TAMI
Fortress Engineering Ltd.	25,000	1000-15 Sunpark Plaza SE	Relocation	South	Engineering
Pieridae Energy*	24,000	308 4th Avenue SW	Extension	North Downtown	Energy & Utilities

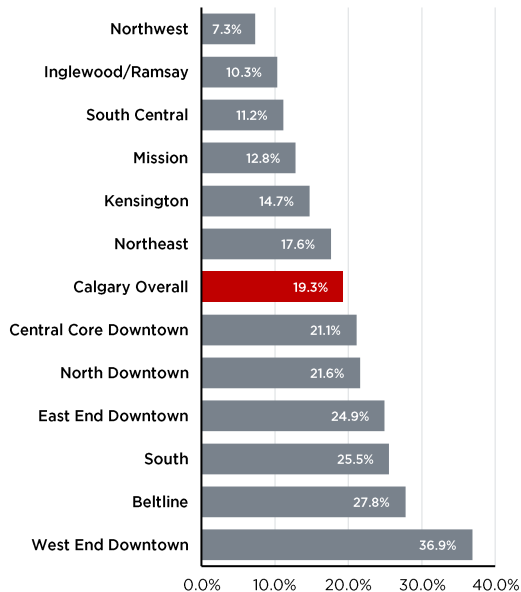
*Sublease

Source: Savills Research

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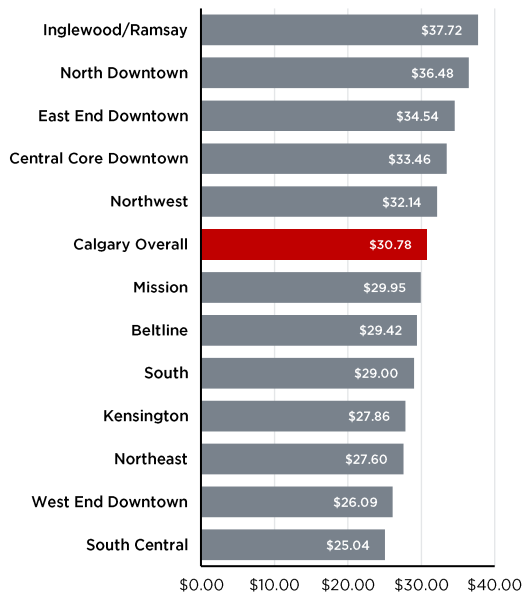
Availability Rate Comparison (%)

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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