

Q1 2023

Calgary

Suburban Office Market Report

Beltline Net Absorption

This Quarter	12-Month Absorption
-39K SF	-13K SF

Suburban Net Absorption

This Quarter	12-Month Absorption
-368K SF	-649K SF

Beltline Vacancy

This Quarter	Year-over-Year
28.39%	▲ 46 bps
Direct Vacancy	Sublease Vacancy
1.74M SF	328K SF

Suburban Vacancy

This Quarter	Year-over-Year
22.53%	▲ 267 bps
Direct Vacancy	Sublease Vacancy
4.17M SF	722K SF

CMN Calgary Inc.

Market Outlook

The Suburban office market experienced a significant contraction in the first quarter of 2023, with the largest quarter-over-quarter decline in occupied space in nearly three years. Q1 is also the first time in two and a half years that there has been a full market contraction, with occupancy dropping in all five of the suburban submarkets. The primary cause of this decline has come by way of major blocks of space coming to market all across the city including five separate spaces 60,000 square feet or greater becoming available this quarter. Over the past six months, there was a significant increase in overall vacancy and Colliers expects this trend to continue at a more moderate pace across the suburbs into early 2024. Transaction volume in Q1 was steady with the result of most deals continuing to be a net compression in office footprint under lease. Somewhat surprisingly given heightened interest rates, there was a spike in office sale activity with 3 significant office buildings trading ownership in Q1. In the suburban inner-city market, the Beltline continued to struggle with vacancy rates expected to climb into the near future. Until space in the downtown core becomes saturated, or costs in the Beltline drop to create a competitive advantage to the core, this trend will also likely persist. Asset repositioning such as ATCO Towers seek to be the next sought after space with significant investments being made into building improvements to attract tenants.

While this compression of footprints has impacted firms across most sectors, some industries appear to be poised to contribute to the rebound of the Suburban office market in the medium term. Engineering firms focused on infrastructure have remained relatively resilient, benefiting from the continued growth of Calgary as an affordable alternative to other major Canadian cities, which is projected to continue with the city making more

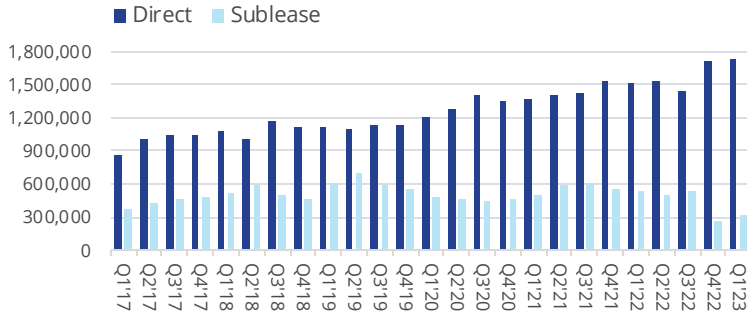
improvements to accommodate a growing population. Similar to public works-oriented groups, housing and land developers are expected to contribute to increased office occupancy as growth in development of new communities and affordable housing ramps up. Additionally, Calgary's significant growth in the industrial sector as a distribution hub, growth in supporting industries, and corporate offices of some of the major logistics providers that have moved to the region are forecasted to expand. Flexible office space has also increased in utilization over the last 12 months, benefiting from a growth in small businesses as well as remote workers employed outside the city who are looking for a dedicated office space to achieve a more desirable work-life balance.

Year-over-year changes to Quarry Park were some of the most significant changes to a specific region in all of the Calgary office market. Within one year, overall vacancy in Quarry Park increased by 75% to just under 1 million square feet of available space. The composition of this vacancy also shifted significantly, where one year ago, sublease space accounted for 42% of the area's vacancy. Now only 2% of available space in Quarry Park comes from sublease opportunities. This shift in the market towards direct leasing will likely have a downstream impact both on asking rates as well as overall vacancy. A saturation of sublease availabilities typically will devalue the market with sublandlords' main goal being to mitigate the cost of unused space and therefore willing to accept slightly below market rates. With direct availabilities, asking rates more accurately reflect a building's position in the market. As such landlords can promote leasing through inducements or subdividing larger blocks of space into move in ready suites in order to make it more attractive for tenants who would otherwise overlook sublease suites due to unsuitability to their requirements.

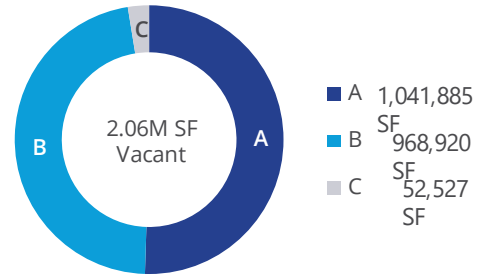
Accelerating success.

Beltline Overview

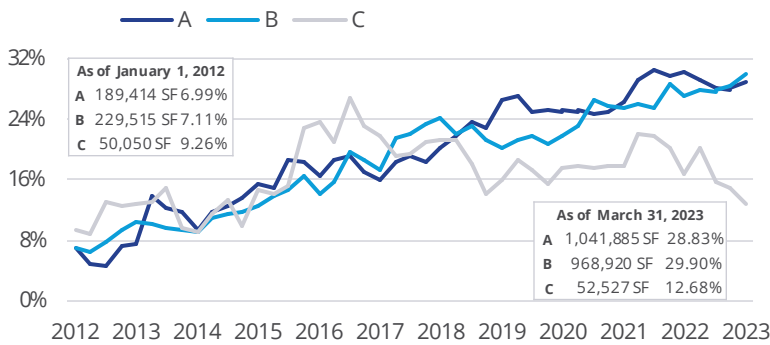
01 Beltline Vacant Space By Direct and Sublease Vacant Space (SF) | 2016 - 2023



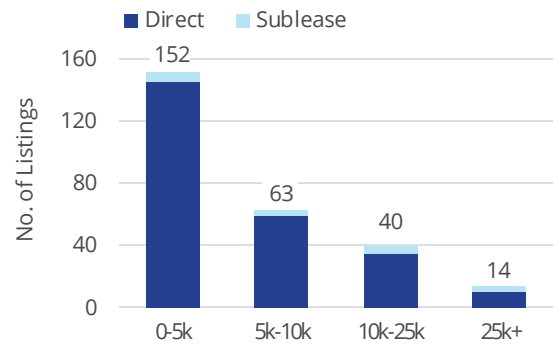
02 Beltline Vacancy by Class By Square Feet (SF)



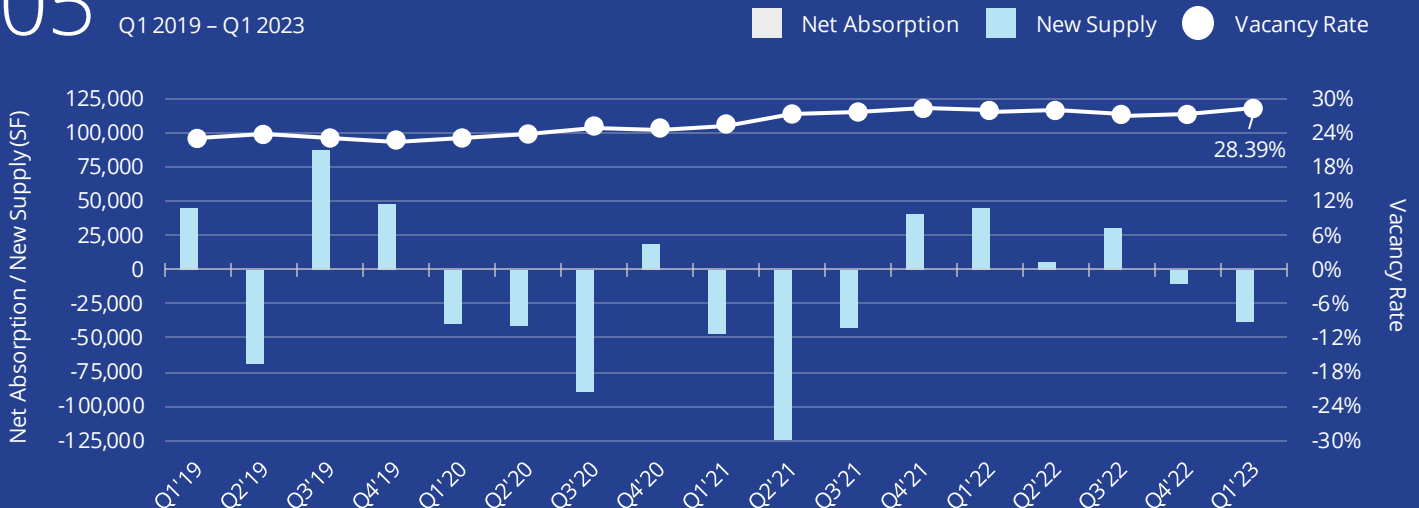
03 Beltline Vacancy Rate by Class 2012 - 2023



04 Beltline Vacant Space By Size Range (SF)



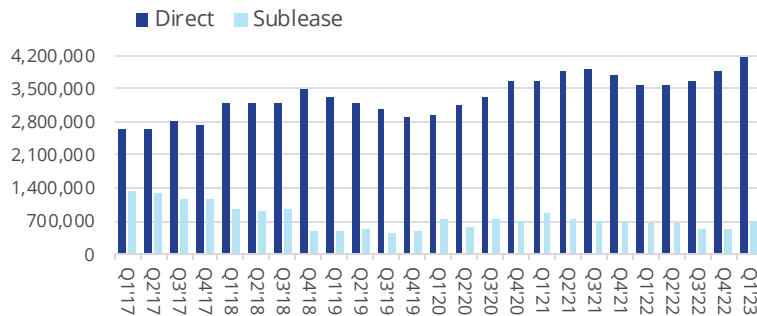
05 Beltline Historical Overview Q1 2019 - Q1 2023



Suburban Overview

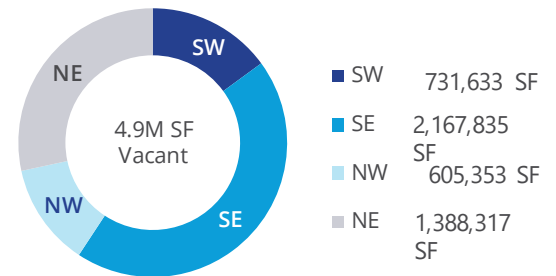
01 Suburban Vacant Space

By Direct and Sublease Vacant Space (SF) | 2016 - 2023



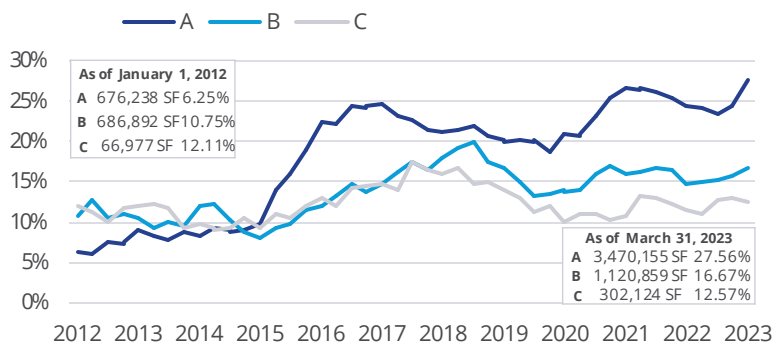
02 Suburban Vacancy by Market

By Square Feet (SF)



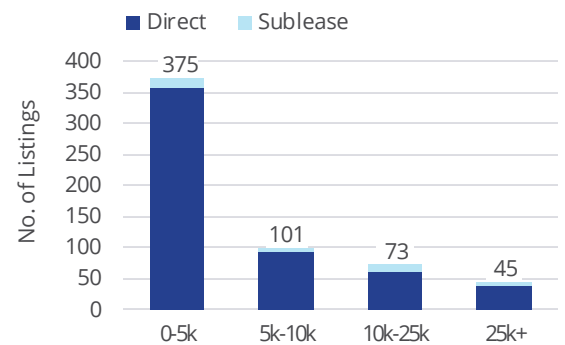
03 Suburban Vacancy Rate by Class

2012 - 2022



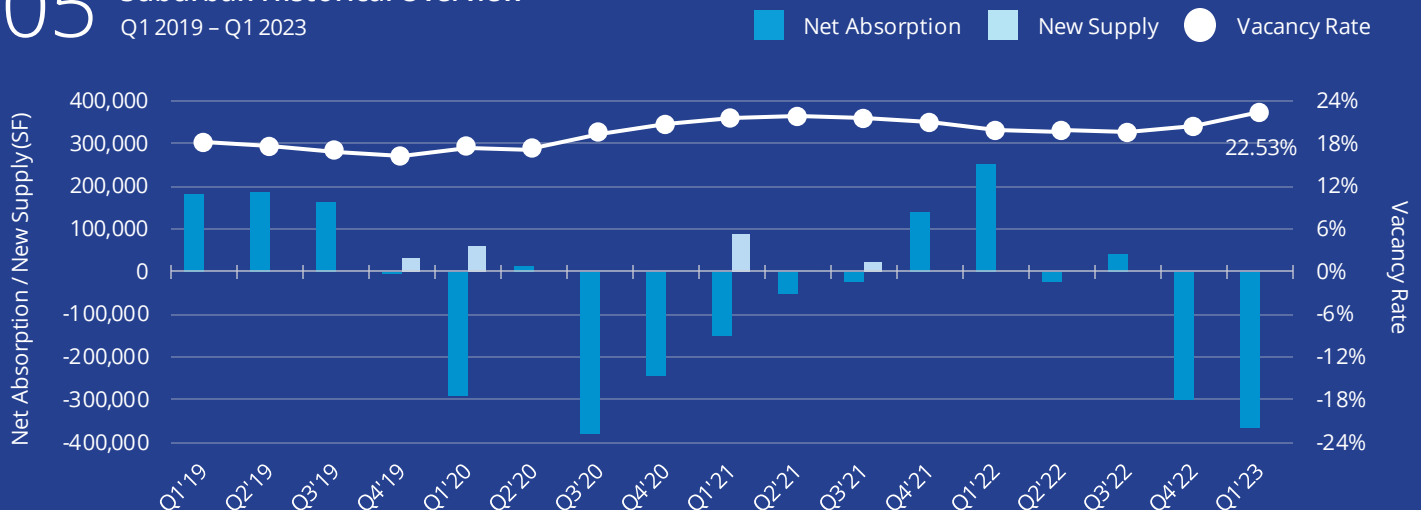
04 Suburban Vacant Space

By Size Range (SF)



05 Suburban Historical Overview

Q1 2019 - Q1 2023



Market Statistics & Transaction Highlights

Market	# of Buildings	Total Inventory (SF)	Direct Vacancy (SF)	Sublease Vacancy (SF)	Total Vacancy (SF)	Vacancy Rate	Net Absorption (SF)
South East							
Current Quarter	125	8,353,035	2,038,505	129,330	2,167,835	25.95%	-195,903
Previous Quarter	125	8,353,035	1,839,973	131,959	1,971,932	23.61%	-290,603
South West							
Current Quarter	44	3,560,812	684,833	46,800	731,633	20.55%	-587
Previous Quarter	44	3,560,812	684,768	46,278	731,046	20.53%	53,311
North West							
Current Quarter	53	2,710,312	297,783	307,570	605,353	22.34%	-96,505
Previous Quarter	53	2,710,312	284,822	224,026	508,848	18.77%	-16,350
North East							
Current Quarter	107	7,093,680	1,150,425	237,892	1,388,317	19.57%	-75,170
Previous Quarter	107	7,093,680	1,161,140	152,007	1,313,147	18.51%	-45,537
Suburban Total							
Current Quarter	329	21,717,839	4,171,546	721,592	4,893,138	22.53%	-368,165
Previous Quarter	329	21,717,839	3,970,703	554,270	4,524,973	20.84%	-299,179
Beltline Total							
Current Quarter	106	7,268,486	1,735,141	328,191	2,063,332	28.39%	-38,564
Previous Quarter	106	7,268,486	1,754,828	269,940	2,024,768	27.86%	-10,194

Notable Transactions

Occupier	Building Name / Address	Market	Transaction Type	Size (SF)
Ownership Sale	Vintage Park 807 41 Avenue SE	South East	Sale	101,130
*Pason Systems Corp.	6120 & 6130 3 St SE	South East	Headlease - Extension	97,706
Ownership Sale	Hopewell Corporate Centre 2618 Hopewell Place NE	North East	Sale	76,811
Ownership Sale	Hillhurst Building 301 14 Street NW	North West	Sale	62,882
Riel Institute	Willowglen Business Park 801 Manning Road NE	North East	Headlease	15,000
*Linear Logistics	Vintage Park - Building B 855 42 Avenue SE	South East	Headlease	12,539
*Gas Alberta	Third Avenue Building 2535 3 Avenue SE	North East	Headlease	9,000

*Colliers involved in transaction

Colliers Research



We are the industry cornerstone of authoritative statistics, forecasts and market commentary across Canada.

With more than 20 years of comprehensive market data, extensive research capabilities and access to 'live' deal information – there is no other research firm in Canada that can provide such a complete commercial real estate research solution.

With more than 20 dedicated research specialists, supported by over 20 market data coordinators – our world-class researchers are continuously sourcing and analyzing data in every major market across Canada – to ensure our clients receive the most accurate and powerful information to make critical decisions for their future.

Core services:

- Predictive market research
- Reporting on key insights and trends
- Access to the latest market data
- Customized research engagements

For more information on the Calgary Office Market, please contact:

Ian Huston

Managing Director
Calgary | Brokerage
+1 403 265 6495
ian.huston@colliers.com

Report Author:

Cole Trifunov
Research Analyst
+1 403 298 0416
cole.trifunov@colliers.com

National Research Contacts:

Adam Jacobs

Senior National Director,
Research | Canada
+1 437 836 0491
Adam.jacobs@colliers.com

Report Contributors:

Peter Mayerchak | Executive Vice President | Partner
Justin Mayerchak | Executive Vice President | Partner
Matt Lannon | Vice President | Partner
Chris Law | Senior Vice President
Brittany Block | Associate Vice President
Callum McLaughlin | Associate Vice President
Jash Sandhu | Associate Vice President
Bryson Mayerchak | Associate | Transaction Manager
Mackenzie Clarry | Associate | Transaction Manager
Andreana Sebuia | Office Project Specialist
Laura Vevers | Office Project Specialist
Nic Kennedy | Market Data Coordinator

Leo Lee

Director, National
Research Operations
+1 416 620 2839
leo.lee@colliers.com

Workplace Strategy & Innovation:

Robyn Baxter | Senior Vice President | Co-Managing Director
Sarah Bramley | Vice President
Kelly Zarchekoff | Senior Consultant

Colliers Canada | Calgary

CMN Calgary Inc.
335 8th Avenue SW, Suite 900, Calgary, AB, T2P 1C9
+1 403 266 5544

collierscanada.com/research



Information herein has been obtained from sources deemed reliable, however its accuracy cannot be guaranteed. The user is required to conduct their own due diligence and verification. This publication is the copyrighted property of Colliers and /or its licensor(s). Copyright © 2023. All rights reserved. CMN Calgary Inc.

Accelerating success.