

# Calgary, AB



## Vacancy Rates

**26.9%**  
Downtown

**22.3%**  
Beltline

**18.3%**  
Suburban North

**19.8%**  
Suburban South

**24.1%**  
Overall

## New Records

Calgary's office market saw record-high vacancy rates in the final quarter of 2020.

### 30% Office vacancy?

It is not surprising that Calgary's office market is experiencing further negative absorption. However, with the combined impacts of the local economic downturn and COVID-19, the amount of space given back to the leasing market in 2020 was higher than anticipated. It now appears that Calgary's downtown will cross into unseen territory for a modern, major office market in Canada within the next 12-24 months -30% office vacancy.

### Mergers and acquisitions.

Calgary's struggling and evolving energy industry continues to see budget cutting to reduce expenses and to improve efficiency. In addition to these market wide job cuts, mergers and acquisitions are expected to play a bigger role throughout 2021. Shell, BP, and Suncor have all announced layoffs over the last six months. The largest of

these reported to date is the result of the recently completed Husky-Cenovus merger.

There are reports that Cenovus is planning to cut approximately 25% of its post-merger 8,600 employees, most of which are expected to be located here in Calgary. This is roughly 2,150 people.

With average office density ranging between 150 to 250 square feet per employee, this would correlate to approximately 322,000 to 537,000 square feet of space that will no longer be required. Before entering the merger, Husky occupied approximately 600,000 square feet in the North tower of Western Canadian Place in the West End of downtown. Calgary's Downtown West End already has a significantly high vacancy versus the Central Core -41.3% vs 22.1%. With the addition of a further 600,000 square feet of vacancy, West End vacancy would increase to around 47%.

### Relocations and resizing.

There have been two different trends emerging around relocations in Calgary's office market.

Firstly, there has been a significant degree of interest from suburban tenants looking at the downtown and/or beltline markets. These companies are looking to take advantage of the large selection in availabilities and the corresponding downward pressure on rental rates in Calgary's downtown core. Symend, Useful, Golder and the new SAIT School for Advanced Digital Technology are all examples of new tenants to the Downtown office market with Credit Union Central Alberta and Alberta Supports completing deals in the beltline.

The second trend we are seeing is based on tenants reassessing their space requirements due to being forced to work from home due to COVID-19. Many tenants are revising their need for space with the approach that some of their staff will now be working from home. It is still unknown what the net result on tenant demand for space will be as a result of COVID-19 as we have seen a variety of approaches. There are companies permanently adopting work-from-home policies putting downward pressure on demand, while other companies are prioritizing work in the office and are being creative with how they use space for increased social distancing and/or meeting spaces. It will take a few years for these decisions to fully play out in the market.

Of note, activity in the market slowed down significantly as the second wave of COVID-19 took hold across Calgary in November.

### Q4 2020 Highlights

**24.1%**

**Vacancy**

Calgary's overall office vacancy rate reached 24.1% in fourth-quarter 2020 – a record-high vacancy for the city.

**-400,000 SF**

**Absorption**

Over 400,000 square feet of space was given back to the market as available space in fourth-quarter 2020, making this the most negative absorption we've seen in a year since 2016.

**16**

**Empty Buildings**

There are 16 empty buildings across Calgary: 4 in the Downtown, 3 in the Beltline, and 9 in the suburbs.



## Downtown



### Vacancy Rate

Vacancy increased to 26.9% in Q4 2020. This is up from 25.7% in Q3 2020, and from 24.2% in Q4 2019. This is a new peak vacancy for Calgary's Downtown office market.



### Absorption

Q4 2020 saw negative absorption of 568,000 sf. This was the largest quarter of negative absorption Downtown Calgary has seen since Q3 2016, when -1.2 msf of absorption was recorded.



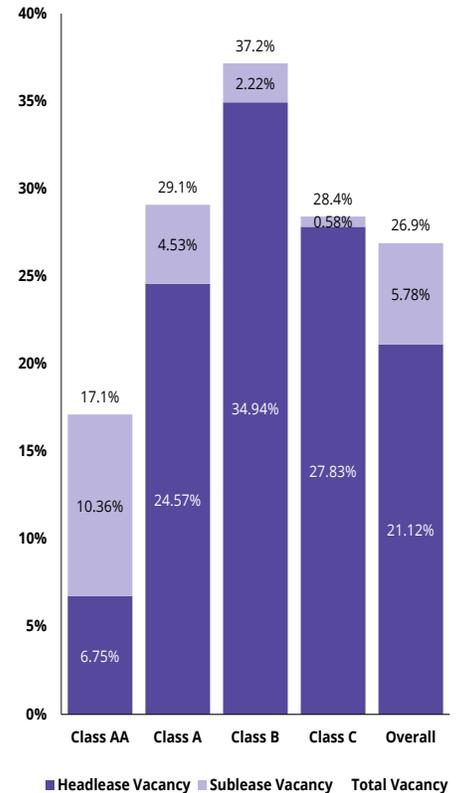
### Vacant space

Total vacancy for the Downtown office market is 12.5 msf. This is broken down to 9.8 msf of headlease (79%) and 2.7 msf of sublease (21%).

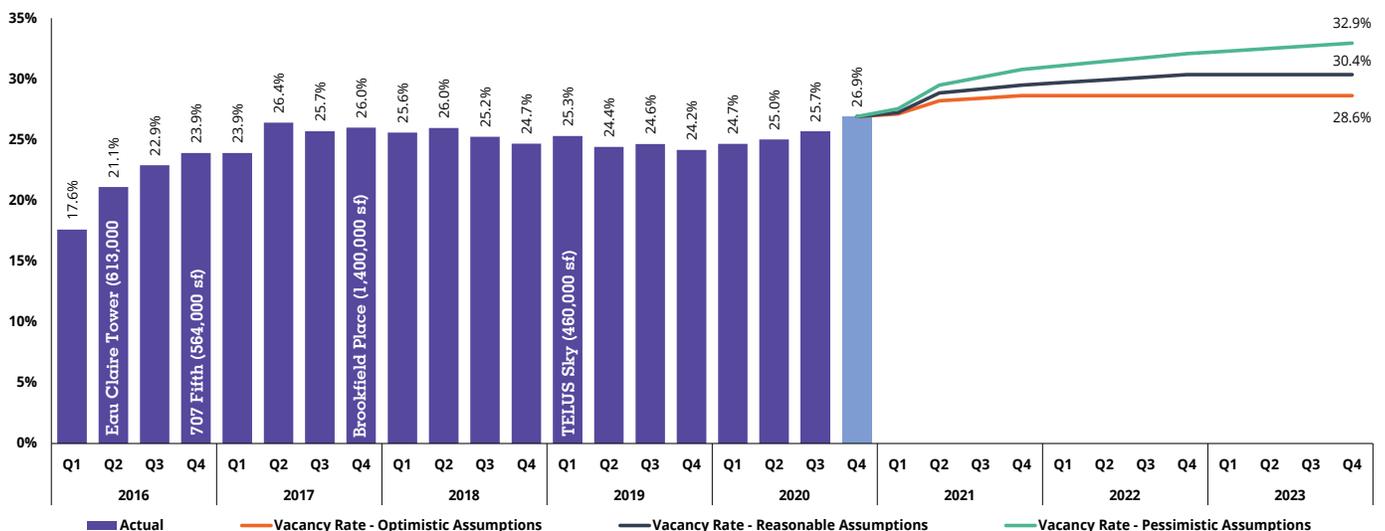


### Large Availabilities

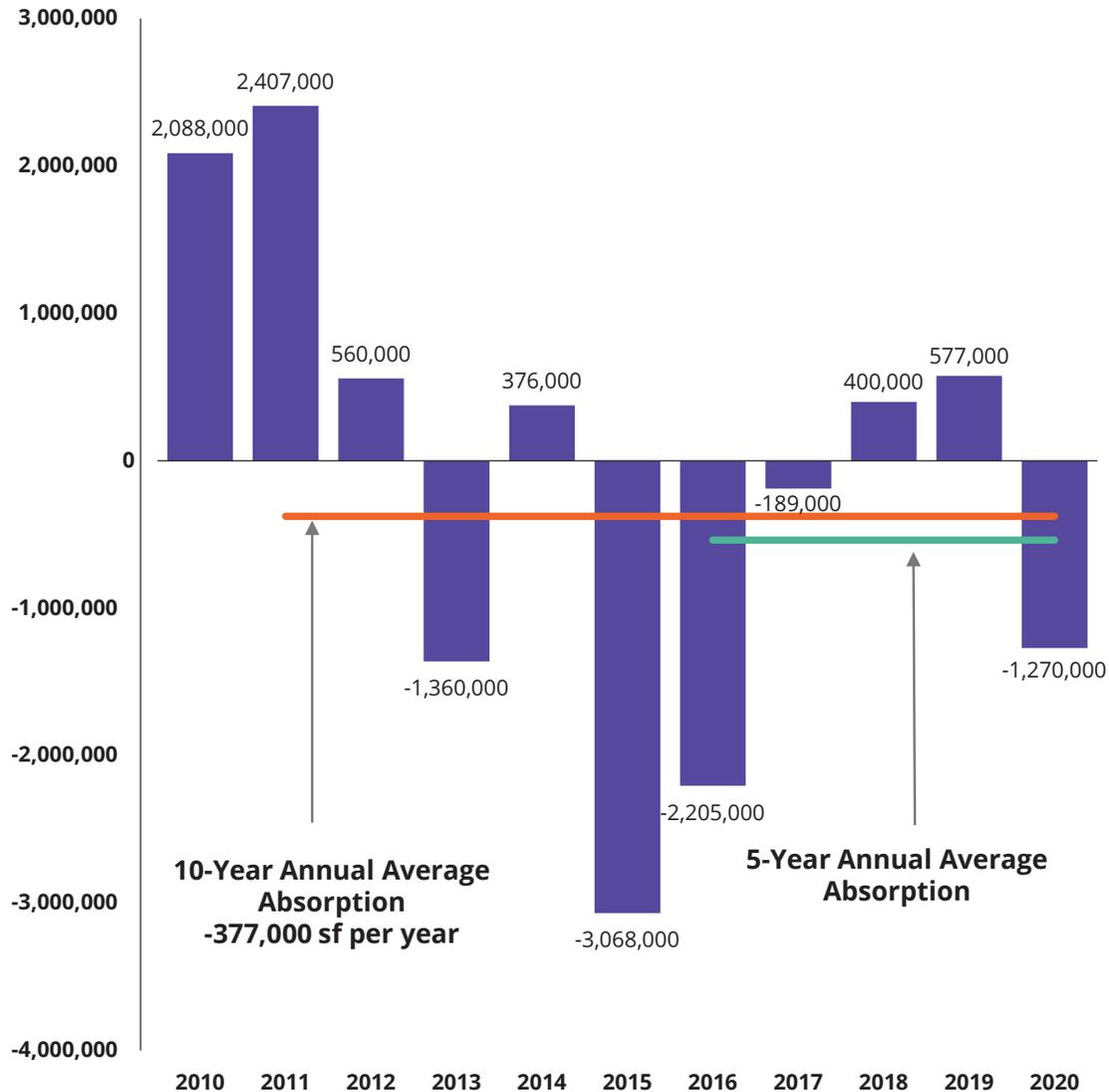
There are 16 availabilities in Downtown Calgary with over 100,000 sf as one contiguous block. These blocks of space represent 25% of the total availability in the Downtown market with 66% of this space available on a headlease basis.



## Downtown Calgary Office Historical & Projected Vacancy



## Downtown Calgary 5-Year & Average 10-Year Annual Absorption



### Empty Buildings

Out of **170** office building currently tracked in Downtown Calgary, there are four completely empty office buildings. There are an additional seven properties that have greater than **75%** vacancy.

### Fully-occupied Buildings

There are **42** office buildings over **20,000 sf** (19% of the overall inventory) in Downtown Calgary that have no availability.



## Beltline



### Vacancy Rates

The vacancy rate in the Beltline office market slightly decreased to 22.3% in Q4 2020, down from 22.5% in Q3 2020, and up from 21.8% in Q4 2019. Peak vacancy in the Beltline office market was set last quarter.



### Absorption

Absorption for Q4 2020 was positive 10,000 sf in Calgary's Beltline office market. Net absorption for the last 12 months is negative 26,000 sf.



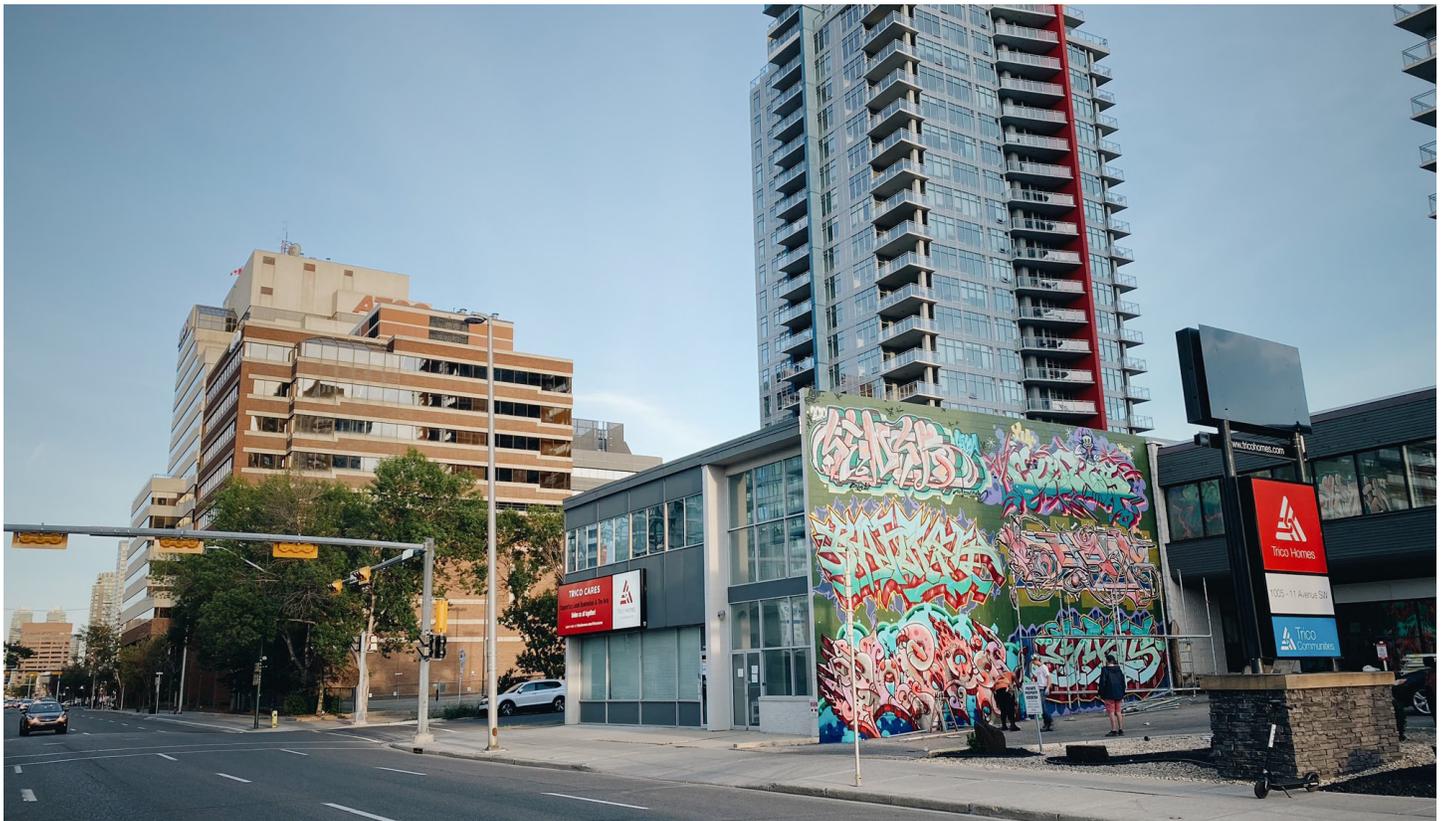
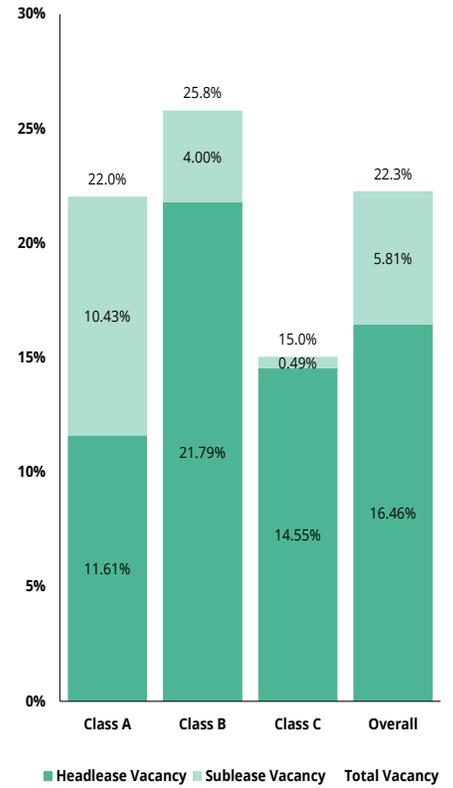
### Empty buildings

Out of 113 office buildings over 20,000 sf currently tracked in Beltline Calgary, there are two which are completely empty, both of which are available for sublease. There are an additional four properties that have greater than 75% vacancy.



### Large Availabilities

There are seven availabilities in Beltline Calgary with over 30,000 sf available contiguously. These seven blocks of space represent 28% of the total availability of space in the Beltline market, 51% of this space is available on a sublease basis.



## Suburban North



### Vacancy Rate

The vacancy rate as of Q4 2020 is 18.3%, down from 18.5% in Q3 2020, and up from 17.1% in Q4 2019. Meanwhile vacancy broken down by quadrants is 18.2% for the Suburban Northeast and 18.9% for the Suburban Northwest.



### Absorption

Absorption in Q4 2020 for the Suburban North office market was positive for the second straight quarter, recording 21,000 sf of absorption for the quarter, and bringing the 12-month cumulative net absorption to -237,000 sf for the area.



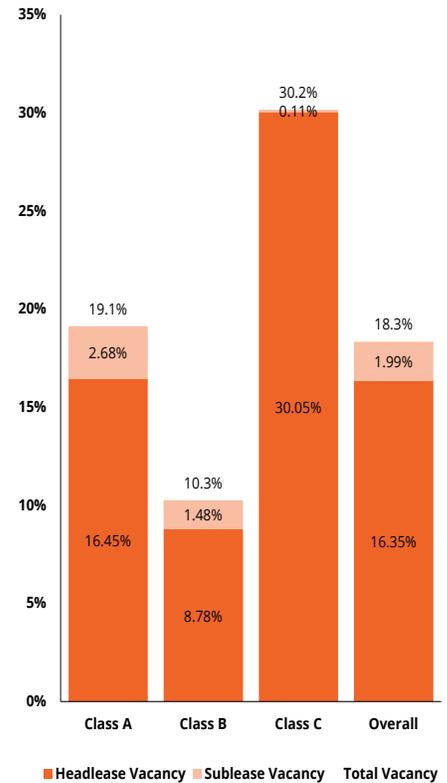
### Construction and New Supply

There are two buildings under construction in the Suburban North: Hexagon's expansion into a new 26,000 sf building adjacent to their NE facility, and University District's Block 23, which has no preleasing in place. Both buildings are expected to be completed in fall next year.



### Large Availabilities

There are 12 available options for contiguous blocks of office space over 30,000 sf in Suburban North Calgary. These blocks represent 52% of the total availability in the Suburban North office market and 76% of this space is available on a headlease basis.



## Suburban South



### Vacancy Rate

The vacancy rate decreased to 19.8% in Q4 2020, down from 20.6% in Q3 2020, and up from 17.8% in Q4 2019. Meanwhile, vacancy broken down by quadrants is 20.4% for Suburban Southeast, and 18.4% for the Suburban Southwest.



### Absorption

Absorption for Q4 2020 was positive 136,000 sf, primarily driven by PBS Systems move into their new office building from an industrial location. Cumulative net absorption for the last 12 months remains negative at -139,000 sf in the Suburban South office market.



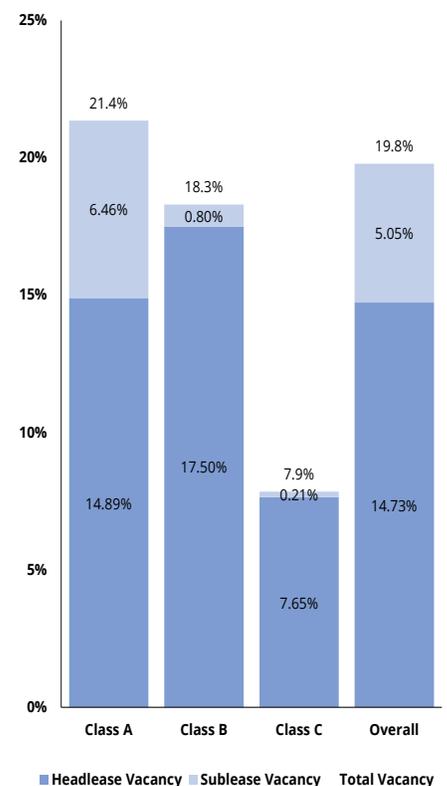
### Construction and New Supply

The PBS Systems Building was completed this quarter as a build-to-suit for themselves. Bow45 is the only remaining building under construction for the Suburban South office market of Calgary and has no pre-leasing in place.



### Large Availabilities

There are 16 contiguous availabilities in Suburban South Calgary over 30,000 sf. These 16 blocks of space represent 44% of the total availability in the Suburban South office market and 53% is available on a headlease basis.



## Overall



### Vacancy Rate

Q4 2020 saw vacancy increase to 24.1% from 23.5% in Q3 2020 and is also up from 22% in Q4 2019. This is a new peak vacancy for Calgary's overall office market.



### Absorption

The overall absorption in Calgary's office market in Q4 2020 was negative, with 400,000 square feet of occupancy lost during the quarter. The 12-month cumulative absorption total is -1,672,000 square feet. 2020 is Calgary's worst year for negative absorption since 2016, when we saw -2.7 msf of absorption.



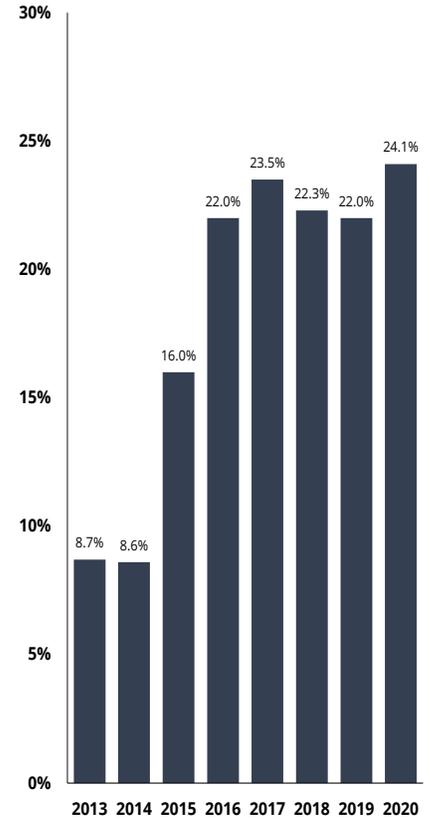
### Occupancy Costs

Due to the prolonged downturn in Calgary, average asking rents continue to be under pressure as landlords are being extremely aggressive to either maintain their tenancy levels or attract new tenants to their properties.

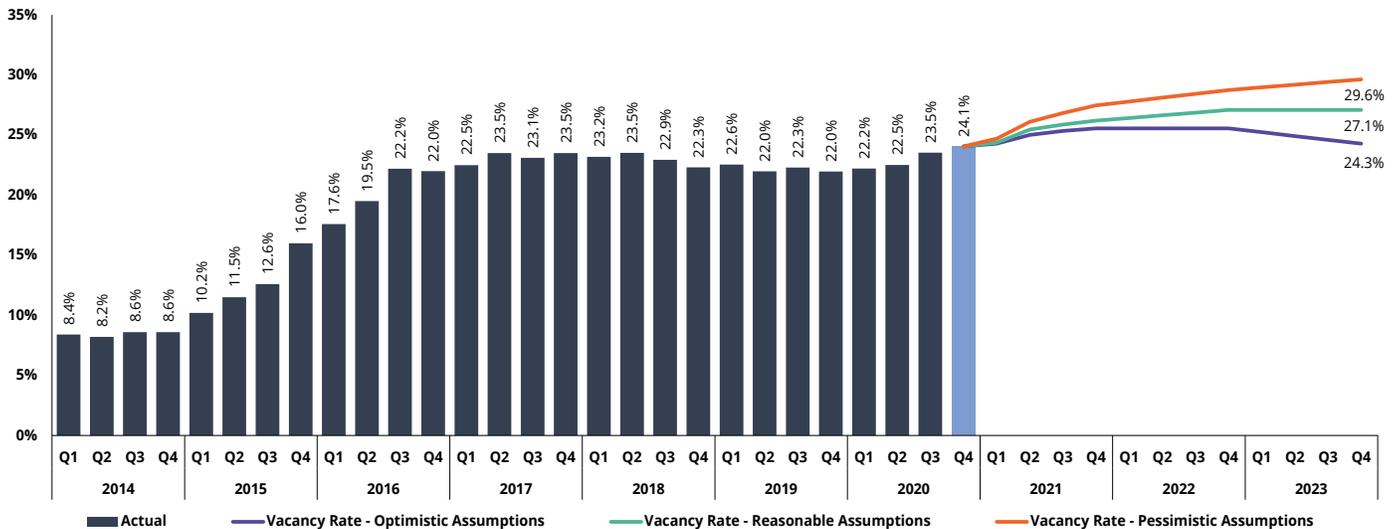


### Tenant Inducements

Landlords are looking to be as creative as possible so inducements, improvement allowances, free rent periods, blend and extend opportunities, and general flexibility in business terms are being stretched during this time period..



## Overall Calgary Office Historical & Projected Vacancy



# Calgary Q4 2020 Office Market Statistics

	New Supply (sf)	Inventory (sf)	Number of Buildings	Headlease Vacancy (sf)	Sublease Vacancy (sf)	Total Vacancy (sf)	Headlease Vacancy Rate	Sublease Vacancy Rate	Total Vacancy Rate	Occupancy (sf)	Absorption for Quarter (sf)	Under Construction (sf)
<b>Downtown</b>	0	46,322,579	170	9,783,506	2,677,893	12,461,399	21.1%	5.8%	26.9%	33,861,180	-567,713	0
Class AA	0	15,381,587	19	1,038,785	1,593,710	2,632,495	6.8%	10.4%	17.1%	12,749,092	-129,592	0
Class A	0	18,587,645	50	4,566,204	841,215	5,407,419	24.6%	4.5%	29.1%	13,180,226	-217,621	0
Class B	0	10,422,313	66	3,641,106	231,735	3,872,841	34.9%	2.2%	37.2%	6,549,472	-143,571	0
Class C	0	1,931,034	35	537,411	11,233	548,644	27.8%	0.6%	28.4%	1,382,390	-76,929	0
<b>Beltline</b>	0	8,296,541	113	1,365,801	481,895	1,847,696	16.5%	5.8%	22.3%	6,448,845	10,118	0
Class A	0	3,203,193	31	371,779	334,248	706,027	11.6%	10.4%	22.0%	2,497,166	7,626	0
Class B	0	3,491,850	57	761,044	139,734	900,778	21.8%	4.0%	25.8%	2,591,072	-29,455	0
Class C	0	1,601,498	25	232,978	7,913	240,891	14.5%	0.5%	15.0%	1,360,607	31,947	0
<b>Suburban North</b>	0	11,001,435	175	1,798,352	219,200	2,017,552	16.3%	2.0%	18.3%	8,983,883	21,403	83,115
Class A	0	6,493,600	82	1,068,150	174,037	1,242,187	16.4%	2.7%	19.1%	5,251,413	-13,086	83,115
Class B	0	2,935,115	57	257,676	43,453	301,129	8.8%	1.5%	10.3%	2,633,986	-7,610	0
Class C	0	1,572,720	36	472,526	1,710	474,236	30.0%	0.1%	30.2%	1,098,484	42,099	0
<b>Suburban Northeast</b>	0	8,341,682	123	1,390,855	124,995	1,515,850	16.7%	1.5%	18.2%	6,825,832	28,350	26,400
Class A	0	4,916,177	55	747,199	79,832	827,031	15.2%	1.6%	16.8%	4,089,146	-20,969	26,400
Class B	0	2,128,744	40	210,179	43,453	253,632	9.9%	2.0%	11.9%	1,875,112	-320	0
Class C	0	1,296,761	28	433,477	1,710	435,187	33.4%	0.1%	33.6%	861,574	49,639	0
<b>Suburban Northwest</b>	0	2,659,753	52	407,497	94,205	501,702	15.3%	3.5%	18.9%	2,158,051	-6,947	56,715
Class A	0	1,577,423	27	320,951	94,205	415,156	20.3%	6.0%	26.3%	1,162,267	7,883	56,715
Class B	0	806,371	17	47,497	0	47,497	5.9%	0.0%	5.9%	758,874	-7,290	0
Class C	0	275,959	8	39,049	0	39,049	14.2%	0.0%	14.2%	236,910	-7,540	0
<b>Suburban South</b>	80,000	12,688,825	179	1,869,440	641,289	2,510,729	14.7%	5.1%	19.8%	10,178,096	136,386	24,445
Class A	80,000	9,646,802	117	1,436,839	623,000	2,059,839	14.9%	6.5%	21.4%	7,586,963	124,412	24,445
Class B	0	2,029,803	40	355,201	16,200	371,401	17.5%	0.8%	18.3%	1,658,402	7,187	0
Class C	0	1,012,220	22	77,400	2,089	79,489	7.6%	0.2%	7.9%	932,731	4,787	0
<b>Suburban Southeast</b>	80,000	8,769,179	129	1,238,172	552,440	1,790,612	14.1%	6.3%	20.4%	6,978,567	169,306	0
Class A	80,000	6,857,055	87	981,970	543,480	1,525,450	14.3%	7.9%	22.2%	5,331,605	138,116	0
Class B	0	1,089,083	25	183,351	6,871	190,222	16.8%	0.6%	17.5%	898,861	26,403	0
Class C	0	823,041	17	72,851	2,089	74,940	8.9%	0.3%	9.1%	748,101	4,787	0
<b>Suburban Southwest</b>	0	3,919,646	49	631,268	88,849	720,117	16.1%	2.3%	18.4%	3,199,529	-32,920	24,445
Class A	0	2,789,747	29	454,869	79,520	534,389	16.3%	2.9%	19.2%	2,255,358	-13,704	24,445
Class B	0	940,720	15	171,850	9,329	181,179	18.3%	1.0%	19.3%	759,541	-19,216	0
Class C	0	189,179	5	4,549	0	4,549	2.4%	0.0%	2.4%	184,630	0	0
<b>Suburban Total</b>	80,000	23,690,260	353	3,667,792	860,489	4,528,281	15.5%	3.6%	19.1%	19,161,979	157,789	107,560
Class A	80,000	16,140,402	199	2,504,989	797,037	3,302,026	15.5%	4.9%	20.5%	12,838,376	111,326	107,560
Class B	0	4,964,918	97	612,877	59,653	672,530	12.3%	1.2%	13.5%	4,292,388	-423	0
Class C	0	2,584,940	58	549,926	3,799	553,725	21.3%	0.1%	21.4%	2,031,215	46,886	0
<b>Calgary Total</b>	80,000	78,309,380	637	14,817,099	4,020,277	18,837,376	18.9%	5.1%	24.1%	59,472,004	-399,806	107,560
Class AA & A	80,000	53,312,827	299	8,481,757	3,566,210	12,047,967	15.9%	6.7%	22.6%	41,264,860	-228,261	107,560
Class B	0	18,879,081	220	5,015,027	431,122	5,446,149	26.6%	2.3%	28.8%	13,432,932	-173,449	0
Class C	0	6,117,472	118	1,320,315	22,945	1,343,260	21.6%	0.4%	22.0%	4,774,212	1,904	0

## Average Taxes & Operating Costs

	Class AA	Class A	Class B	Class C	All Classes
<b>Downtown</b>	\$22.05	\$18.35	\$16.43	\$15.77	\$19.16
<b>Beltline</b>	-	\$18.15	\$16.66	\$16.20	\$17.18
<b>Suburban North</b>	-	\$14.92	\$14.17	\$12.45	\$14.32
<b>Suburban South</b>	-	\$15.51	\$14.53	\$12.35	\$15.07
<b>Overall</b>	\$22.05	\$17.24	\$16.02	\$14.55	\$16.61

(per square foot, per annum)

## Average Asking Rates

### Downtown | Headlease

	Low	High	Average
Class AA	\$24.00	\$28.00	\$26.00
Class A	\$13.00	\$17.00	\$15.00
Class B	\$8.00	\$12.00	\$9.00
Class C	\$4.00	\$7.00	\$6.00

### Beltline | Headlease

	Low	High	Average
Class A	\$16.00	\$24.00	\$20.00
Class B	\$12.00	\$16.00	\$14.00
Class C	\$5.00	\$12.00	\$10.00

### Suburban North | Headlease

	Low	High	Average
New Construction	\$22.00	\$26.00	\$24.50
Class A	\$16.00	\$22.00	\$19.00
Class B	\$9.00	\$15.00	\$13.00
Class C	\$6.00	\$10.00	\$9.00

### Suburban South | Headlease

	Low	High	Average
New Construction	\$24.00	\$29.00	\$26.00
Class A	\$15.00	\$23.00	\$19.00
Class B	\$10.00	\$15.00	\$14.00
Class C	\$6.00	\$12.00	\$9.00

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