

Calgary's Third Quarter Downtown Office Landscape

Market Analysis Q3 2024

Overall

80.8% ↑ OCCUPANCY RATE
(Total leased space)

19.2% ↓ VACANCY RATE
(Space marketed for headlease only)

24.3% ↓ AVAILABILITY
(Total amount of space available for headlease/sublease/sub-sublease/office-share, etc.)

Within-class

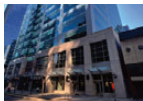
CLASS AA **93.4% ↓** OCCUPANCY
6.6% ↑ VACANCY
14% ↑ AVAILABILITY

CLASS A **81% ↑** OCCUPANCY
19% ↓ VACANCY
24.5% ↓ AVAILABILITY

CLASS B **65.3% ↑** OCCUPANCY
34.7% ↓ VACANCY
36.4% ↓ AVAILABILITY

CLASS C **74% ↓** OCCUPANCY
26% ↑ VACANCY
27.1% ↑ AVAILABILITY

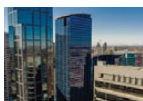
SIGNIFICANT MOVES, ANNOUNCEMENT AND NOTABLE TRANSACTIONS:



Plains Midstream Canada ULC renewed approximately 180,000 sf at 607 8th Avenue SW.



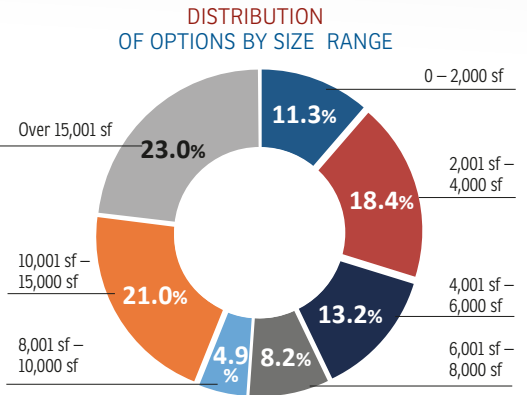
KPMG leased approximately 160,000 sf at 240 4th Avenue SW.



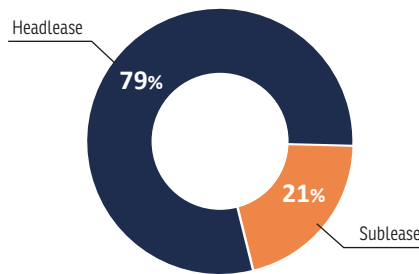
Vermillion Energy renewed approximately 132,000 sf at 520 3rd Avenue SW.

The recovery of Calgary's Downtown office market continued through the third quarter of 2024. Overall availability – and particularly the vacant component – of Downtown office space posted another quarter-over-quarter decrease. Substantial and ongoing demand for A and B class space continued to drive vacancy down in these categories and within these classes, we observed that the mid-sized range of options – those measuring 6,000 – 10,000 square feet – continued to diminish. This is especially noticeable in available sublease inventory.

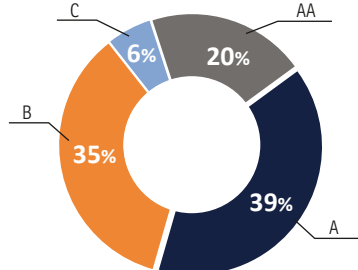
As the saying goes: good things come in threes. First, the City of Calgary approved its opening project under the Downtown Demolition Incentive Program; the removal of three long-vacant buildings (621 – 4th to 645 – 4th) which includes the Phillips Building, by Cantiro Group. The site will be redeveloped to host a 33-storey mixed-use tower consisting of approximately 340



HEADLEASE VS. SUBLEASE DISTRIBUTION OF TOTAL AVAILABLE SPACE



DISTRIBUTION OF TOTAL AVAILABLE SPACE BY BUILDING CLASS



purpose-built rental housing units plus a two-floor retail podium designed to support various commercial uses. The Demolition Incentive Program helps with abatement and demolition costs, allowing for land to be better used for purposes that improve downtown vibrancy. The program provides a grant at 50% of demolition costs (up to \$15 per square foot based on the original gross floor area of existing office space that will be demolished). An additional \$5 per square foot is available for projects requiring asbestos or hazardous material abatement.

Next came the mid-September announcement that an additional \$52.5 million would be offered for office-to-residential conversions under a much-anticipated second round of Downtown Development Incentive Program funding. First launched in 2021, the Downtown Development Incentive Program quickly exceeded expectations, prompting a temporary pause on applications as high demand exceeded available funding. With the program's relaunch, eligible developers still receive up to \$75 per square foot for office to residential conversion projects, with a maximum of \$15 million per property. It should be noted that there are concerns as to whether the unchanged grant level remains substantial enough to spur further conversion plans.

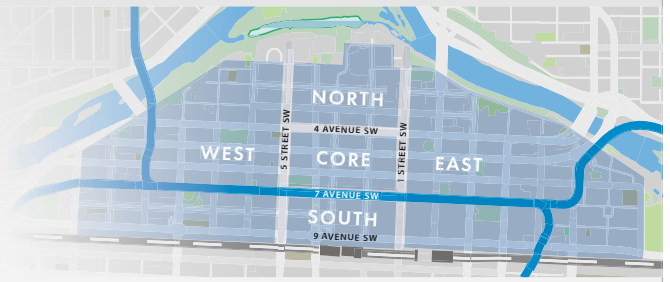
Then there was the late-September purchase of Bow Valley Square by Armco Capital Inc. – a real estate development and investment firm based in Halifax that also owns Altius Centre – which shows the ongoing desire for commercial real estate in Calgary. This

transaction continues the multi-year trend of private investors buying into the Downtown. In addition, Enright Capital bought 635 – eighth, 4th & 4th and 45% in the Stock Exchange Building and in doing so, continued the trend of private landlords looking to acquire Downtown office properties.

All of the above are terrific news for this submarket, as they demonstrate the stagnation of 2015-2022 has dissipated and several concurrent forms of activity - leasing, expansions, sales and redevelopments – have brought new life to the Downtown.

Sources:

<https://newsroom.calgary.ca/city-approves-first-project-under-the-demolition-incentive-program/>
<https://newsroom.calgary.ca/city-relaunches-popular-downtown-development-incentive-program-with-ambitious-focus-on-housing/>



Distribution of Available Space

OVERALL AVAILABILITY BY LOCATION

| | |
|-------|-------|
| CORE | 23.9% |
| NORTH | 12.2% |
| EAST | 26.5% |
| SOUTH | 10.3% |
| WEST | 42.9% |

AVAILABILITY BY LOCATION AND CLASS (SF/%)

| | AA | A | B | C |
|-------|---------------------|---------------------|---------------------|-------------------|
| CORE | 114,223 8.16% | 1,326,566 21.41% | 898,765 38.53% | 73,664 30.59% |
| NORTH | 470,126 10.12% | 167,241 13.42% | 90,971 141.08% | 0 N/A |
| EAST | 1,155,678 28.19% | 359,985 14.71% | 600,828 33.62% | 31,399 6.67% |
| SOUTH | 147,540 3.90% | 638,642 15.95% | 42,550 11.14% | 24,113 9.83% |
| WEST | 134,403 25.22% | 1,510,848 60.87% | 1,908,354 36.97% | 438,181 38.13% |

Opportunities by Building Class and Size

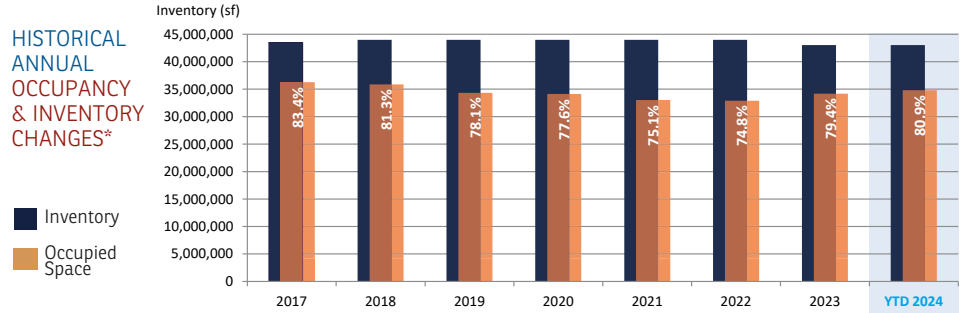
HEADLEASE OPPORTUNITIES BY BUILDING CLASS AND SIZE RANGE

| Size Range | AA | A | B | C |
|-----------------------|----|-----|-----|-----|
| 0 – 2,000 sf | 2 | 10 | 53 | 26 |
| 2,001 sf – 4,000 sf | 3 | 27 | 106 | 41 |
| 4,001 sf – 6,000 sf | 2 | 30 | 70 | 18 |
| 6,001 sf – 8,000 sf | 3 | 20 | 46 | 10 |
| 8,001 sf – 10,000 sf | 2 | 9 | 26 | 6 |
| 10,001 sf – 15,000 sf | 6 | 65 | 110 | 8 |
| 15,001+ | 36 | 84 | 36 | 3 |
| Overall | 54 | 245 | 447 | 112 |

SUBLEASE OPPORTUNITIES BY BUILDING CLASS AND SIZE RANGE

| Size Range | AA | A | B | C |
|-----------------------|----|----|----|---|
| 0 – 2,000 sf | 5 | 6 | 8 | 0 |
| 2,001 sf – 4,000 sf | 2 | 2 | 2 | 3 |
| 4,001 sf – 6,000 sf | 3 | 2 | 4 | 0 |
| 6,001 sf – 8,000 sf | 3 | 2 | 2 | 2 |
| 8,001 sf – 10,000 sf | 2 | 4 | 1 | 0 |
| 10,001 sf – 15,000 sf | 3 | 8 | 2 | 0 |
| 15,001+ | 35 | 36 | 4 | 0 |
| Overall | 53 | 60 | 23 | 5 |

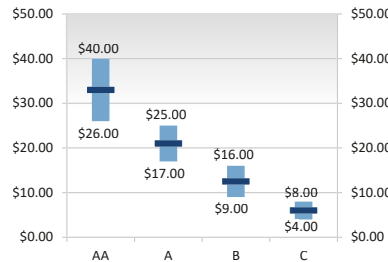
Changes in Occupancy



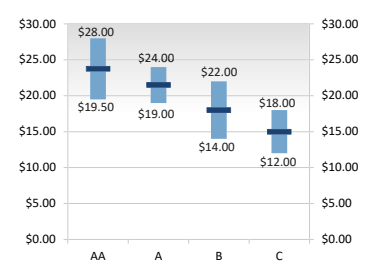
* Barclay Street's inventory has been adjusted to reflect the conversion of several Downtown commercial office buildings, per The City of Calgary's list of approved office-to-residential conversions. Additional adjustments are anticipated, based on the second round of program funding now available: <https://www.calgary.ca/development/downtown-incentive.html>

Average Costs

AVERAGE HEADLEASE RATES BY BUILDING CLASS



OPERATING COSTS BY BUILDING CLASS



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