

Calgary's Year-end Suburban Office Landscape

Office Market Analysis **Calgary • Year-end 2023**

Overall

17.8%	VACANCY RATE (Space marketed for headlease)
2.2%	BALANCE OF AVAILABLE SPACE (Space marketed for sublease/sub-sublease/office-share, etc.)
20%	AVAILABILITY (Total amount of space available for lease/sublease/office-share, etc.)

Within-class

CLASS A	16.9% VACANCY 19.4% AVAILABILITY
CLASS B	23.7% VACANCY 25.5% AVAILABILITY
CLASS C	11.8% VACANCY 13.6% AVAILABILITY

SIGNIFICANT MOVES, ANNOUNCEMENT AND NOTABLE TRANSACTIONS:



Cool IT Systems leased approx. 21,000 sf in Sunridge Business Park.

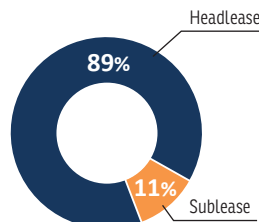


Kohn Crippen Berger subleased approx. 20,000 sf at 7315 8 Street NE.

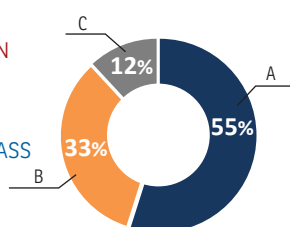
Overall availability – and particularly the vacant component – of Calgary's suburban office market decreased slightly through the final quarter of 2023, posting a 1% drop due to approximately 288,000 square feet of positive absorption. We saw tenants making leasing decisions based on two primary considerations: finding locations that make the to-and-from-work commutes easier for staff and acting on necessity to secure spaces in the size ranges they wanted while still available, especially in A-Class properties.

Speaking to the former, many employers have made the decision to move their operations to locations that minimize the impacts of traffic on employee attendance as a means of addressing productivity and employee attraction. Regarding the latter,

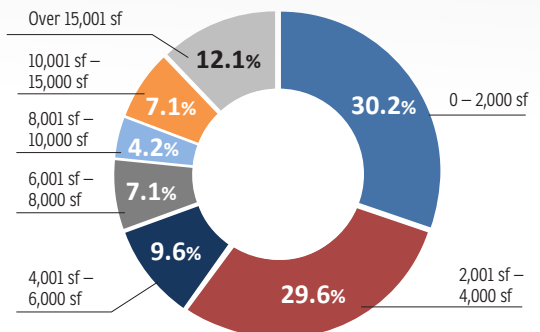
HEADLEASE VS. SUBLEASE DISTRIBUTION



DISTRIBUTION OF TOTAL AVAILABLE SPACE BY BUILDING CLASS



DISTRIBUTION OF OPTIONS BY SIZE RANGE



options in the 4,000 square foot (sf) or smaller categories became increasingly scarce while demand for spaces in large floor plate buildings remained weak. We noted a marked increase in activity among spaces measuring 6,000-8,000 sf as well.

Many tenants have used the previous few years to see if a new pipeline of commercial office developments would emerge and provide additional options in the most high-demand size ranges, but little new product has been built and there is none planned for the time being.

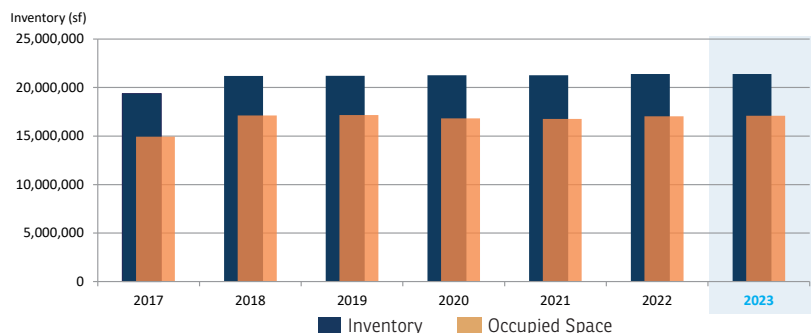
What the suburban markets are left with is not so much a state of high overall vacancy, but an environment of high vacancy in specific types of commercial office space – very large spaces – primarily built for engineering firms that downsized prior to 2020 and have remained lean. The very low need for these leasing options continued to make them a major contributor to elevated suburban vacancy rates with a total of 2.2 million square feet on the market.

Changes in Occupancy

Several subtle changes to inventory have occurred in the Suburban submarkets during the previous two years, but the bulk of new suburban inventory exited the pipeline several years ago. This has allowed the market to stabilize and quarterly changes in occupancy a much more 'apples-to-apples' comparison.

The following chart shows the changes in occupied space from 2017 through 2023. The effect of the COVID-19 pandemic and subsequent recovery can be seen.

HISTORICAL ANNUAL OCCUPANCY & INVENTORY CHANGES



Opportunities by Building Class and Size

Small pockets of space comprised the bulk of suburban availabilities, with 182 spaces measuring less than 4,000 square feet on the market – primarily in B and C Class properties. This appears to be a lot, but total available space in this size category was just under 750,000 sf. Available spaces measuring 2,000 sf and less comprised approx. 243,000 sf while spaces measuring between 2,001 sf and 4,000 sf comprised approx. 505,000 sf.

For comparison (and as noted earlier in this report) large spaces measuring 15,000 square feet or more were responsible for more than half of total available space for lease in the suburban markets. At the other end of the spectrum, spaces measuring 8,001 sf to 10,000 sf comprised just 216,000 sf – or 4.2% - of available space.

HEADLEASE OPPORTUNITIES BY BUILDING CLASS AND SIZE RANGE

Size Range	A	B	C
0 – 2,000 sf	17	107	53
2,001 sf – 4,000 sf	46	79	38
4,001 sf – 6,000 sf	19	23	9
6,001 sf – 8,000 sf	11	17	11
8,001 sf – 10,000 sf	8	10	4
10,001 sf – 15,000 sf	15	15	5
15,001+	45	20	2
Overall	161	271	122

SUBLEASE OPPORTUNITIES BY BUILDING CLASS AND SIZE RANGE

Size Range	A	B	C
0 – 2,000 sf	5	1	1
2,001 sf – 4,000 sf	10	1	3
4,001 sf – 6,000 sf	0	4	2
6,001 sf – 8,000 sf	0	3	1
8,001 sf – 10,000 sf	1	1	1
10,001 sf – 15,000 sf	5	3	0
15,001+	8	0	1
Overall	29	13	9

Vacancy by Building Class and Location

The following charts provide more detailed performance insight into the vacancy rates among specific building classes and the impact on the individual suburban submarkets.

NW VACANCY BY BUILDING CLASS

Class	Vacant	Inventory	Vacancy
A	162,839 sf	1,330,882 sf	12.24%
B	120,696 sf	739,264 sf	16.33%
C	67,984 sf	385,321 sf	17.64%
Overall NW	351,519 sf	2,455,467 sf	14.32%

NE VACANCY BY BUILDING CLASS

Class	Vacant	Inventory	Vacancy
A	358,379 sf	2,334,123 sf	15.35%
B	120,696 sf	2,291,563 sf	25.59%
C	193,731 sf	1,857,839 sf	10.43%
Overall NE	672,806 sf	6,483,525 sf	17.56%

SW VACANCY BY BUILDING CLASS

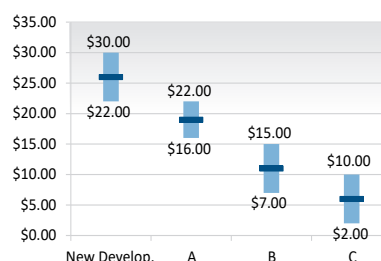
Class	Vacant	Inventory	Vacancy
A	544,497 sf	2,603,539 sf	20.91%
B	274,421 sf	473,978 sf	57.90%
C	108,603 sf	792,591 sf	13.70%
Overall SW	927,521 sf	3,870,108 sf	24.09%

SE VACANCY BY BUILDING CLASS

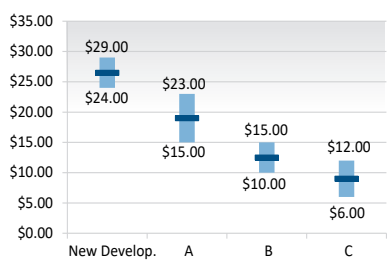
Class	Vacant	Inventory	Vacancy
A	1,287,709 sf	5,887,238 sf	21.87%
B	438,650 sf	2,122,364 sf	20.67%
C	121,699 sf	577,549 sf	21.07%
Overall SE	1,848,058 sf	8,587,151 sf	21.82%

Average Asking Rates

AVERAGE SUBURBAN NORTH ASKING RATES BY BUILDING CLASS



AVERAGE SUBURBAN SOUTH ASKING RATES BY BUILDING CLASS



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