

MARKET FUNDAMENTALS

	YOY Chg	Outlook
23.6% Vacancy Rate	▼	—
183.5K YTD Net Absorption, SF	▲	▼
\$15.84 Asking Net Rent, PSF <small>(Overall, All Property Classes)</small>	▲	▲

ECONOMIC INDICATORS

	YOY Chg	Outlook
1.04M CMR Employment (Feb. 2025)	▲	—
7.3% CMR Unemployment Rate	▲	—
6.7% Canada Unemployment Rate	▲	▲

Sources: City of Calgary, Statistics Canada
March Labour Force Survey

ECONOMY:

The Calgary Metropolitan Region (CMR) unemployment rate fell to 7.3% in the first quarter of 2025, down 50 basis points (bps) from Q4 2024. The Calgary Economic Region (CER) unemployment rate was unchanged at 7.2% however, despite an additional 26,700 people being employed through the first two months of the year.

Health Care & Social Assistance led job growth in Calgary, adding approximately 30,500 more jobs within the sector on a year-over-year (YOY) basis, followed by the retail sector and construction. In an interesting and potentially problematic turn of events, recent changes to federal immigration policy indicate a sharp decline in international net migration in the immediate future. This may impact the size of the potential worker pool in the residential and commercial construction industries, which have been in perpetual need of people for several years.

Source: City of Calgary

CALGARY OVERALL OFFICE MARKET

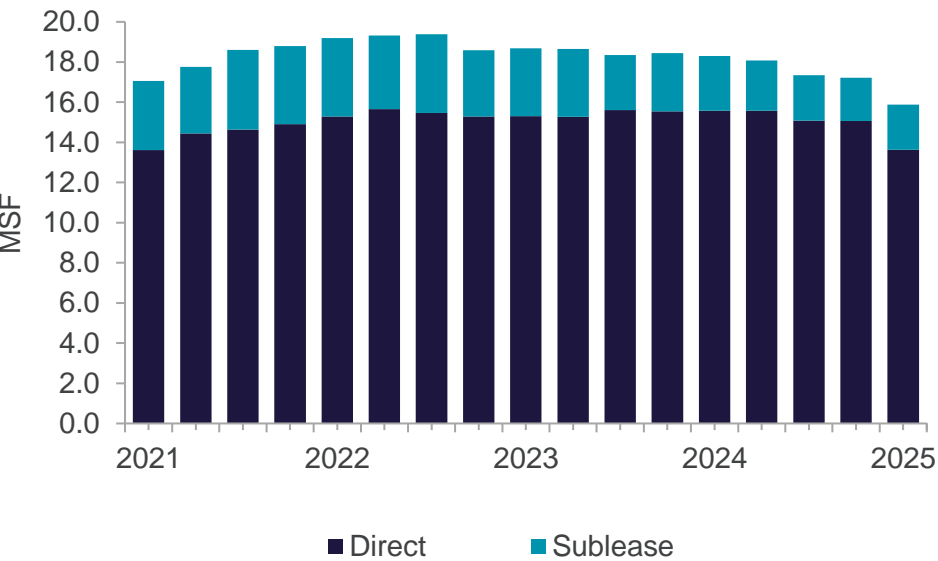
The overall average net asking rate in the Calgary office market continued to increase, posting a notable jump from \$14.97 per square foot (psf) in Q4 2024 to \$15.84 psf through Q1 of this year. The Downtown market recorded strong rent growth, with rates increasing to \$16.31 psf from \$14.95 psf at the end of the previous quarter. Conversely, overall average net rents in the Beltline and Suburban markets declined slightly as overall demand eased through the quarter.

On a YOY basis, leasing activity rebounded and posted a marked increase, rising to more than 1.6 million square feet (msf) versus just over 1.0 msf recorded through Q1 2024. This is strongly indicative of increased confidence in the market as the new year got underway and was most notable in the Downtown submarket where most – just under 1.2 msf – of new leasing activity manifested. The Suburban South markets reported the next highest amount of leasing activity with an additional 283k square feet (sf) of space being secured by tenants through the quarter.

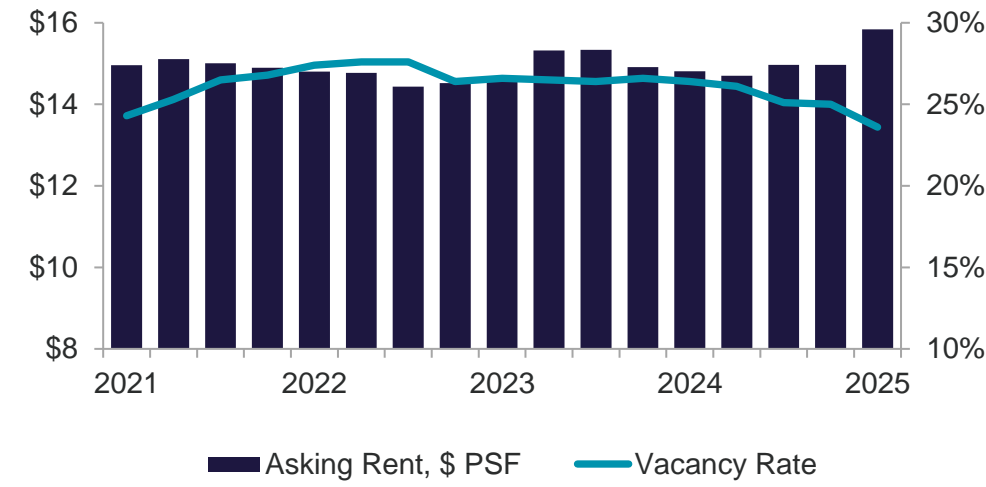
Sublease activity continued to be a harbinger of good things for the Calgary market, with the total volume of sublet space posting a substantial decrease of nearly 500k sf YOY. This represents a 0.5% drop to 14.2% of total vacant space in the city.

City-wide net positive absorption was recorded at 183k sf through Q1 2025 – a differential of approximately 200k sf YOY, given negative absorption a year ago.

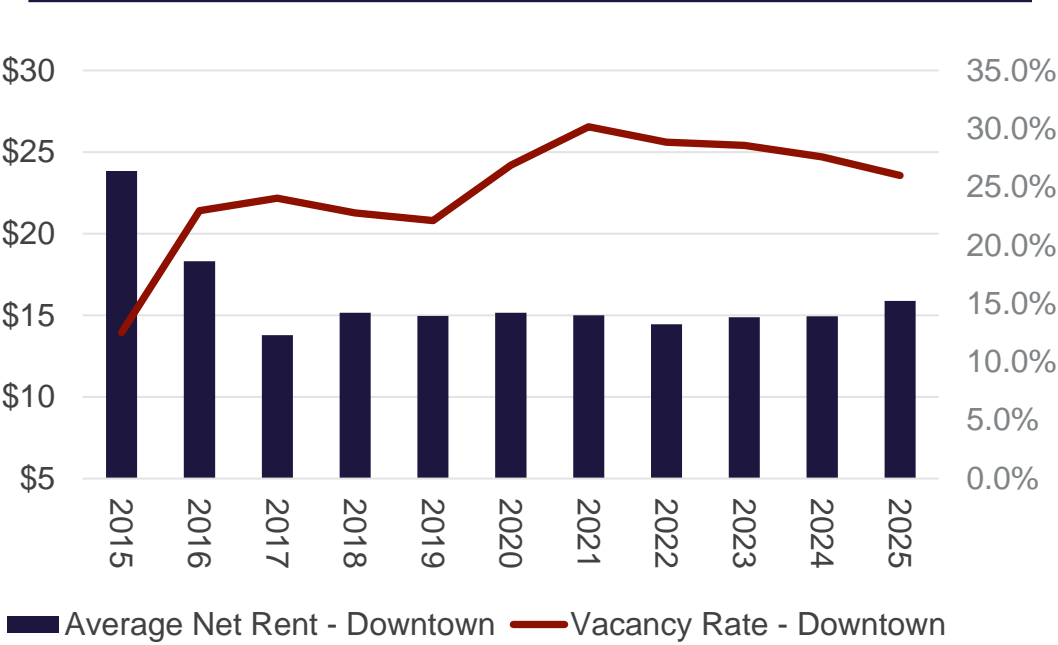
DIRECT VS. SUBLEASE VACANT SPACE



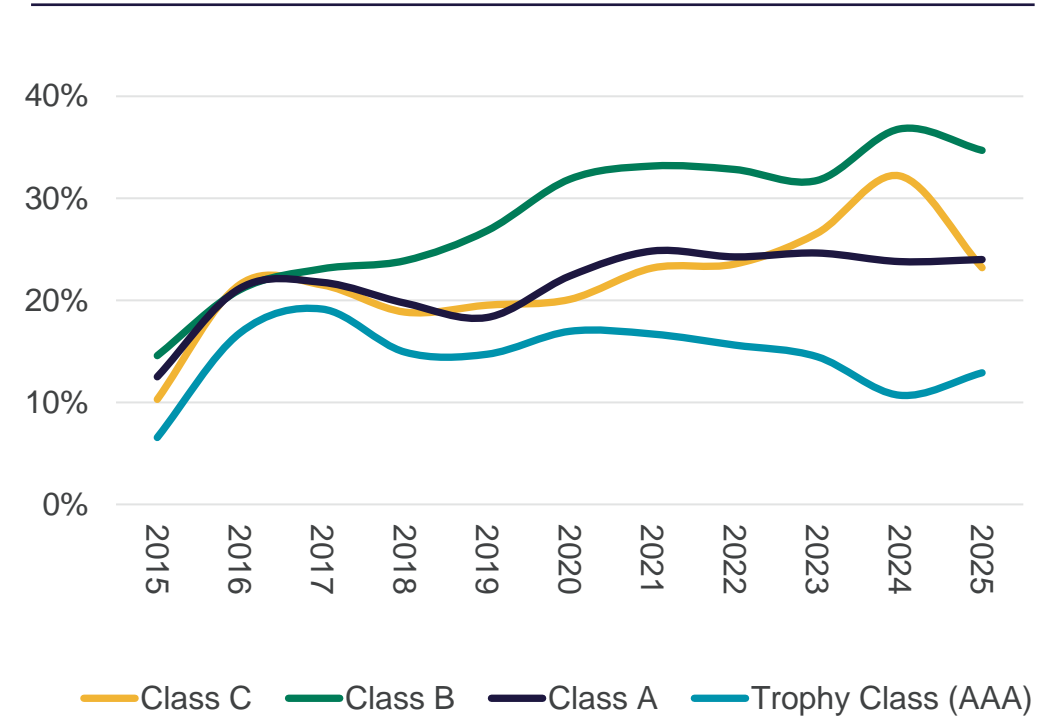
OVERALL VACANCY & ASKING RENT



HISTORICAL RENT VS. VACANCY



DOWNTOWN MARKET VACANCY BY CLASS



DOWNTOWN MARKET

Inventory changes

Calgary’s Downtown office market underwent a substantial inventory reduction of more than 1.6 msf this quarter, due to the pending conversions of 640 Fifth, Atrium I and II, Dominion Centre, Five Ten Fifth, Palliser I, Place 800 and Rocky Mountain Plaza. These buildings are in various stages of work toward conversion, such as having short-term leases in place for existing tenants or early prep work underway.

To date, approximately 290k sf of office space has been converted and another 215k sf of completed conversions is expected this year as the Eau Claire Place I and II buildings are finalized and made available for residency.

Vacancy

The above, combined with net 83k sf of positive absorption, brought overall Downtown vacancy to 26% from 27.6% in the previous quarter. Overall leasing activity saw just under 1.2 msf change hands with approximately 442k sf of that occurring in the Central Core. Class A space continued to be most favoured by tenants, as evidenced by net positive absorption of approximately 171k sf in the West Core and more than 79k sf in the Central Core.

Leasing activity and softening absorption are anticipated in the second quarter of the year as decisions are slowed in response due to uncertainty surrounding the Canadian federal election and strained Canada/U.S. trade relations.

Rates

The overall average net asking rate in the Calgary office market increased slightly to \$15.84 psf in Q1 2025 from \$14.97 psf at year-end 2024. This is largely tied to the Downtown market posting strong YOY rent growth, with rates rising to \$16.31 psf from \$14.95 psf in Q4 2024. The removal of several low-cost buildings from the inventory served to buoy overall rates by reducing the lower-end range.

Our Take

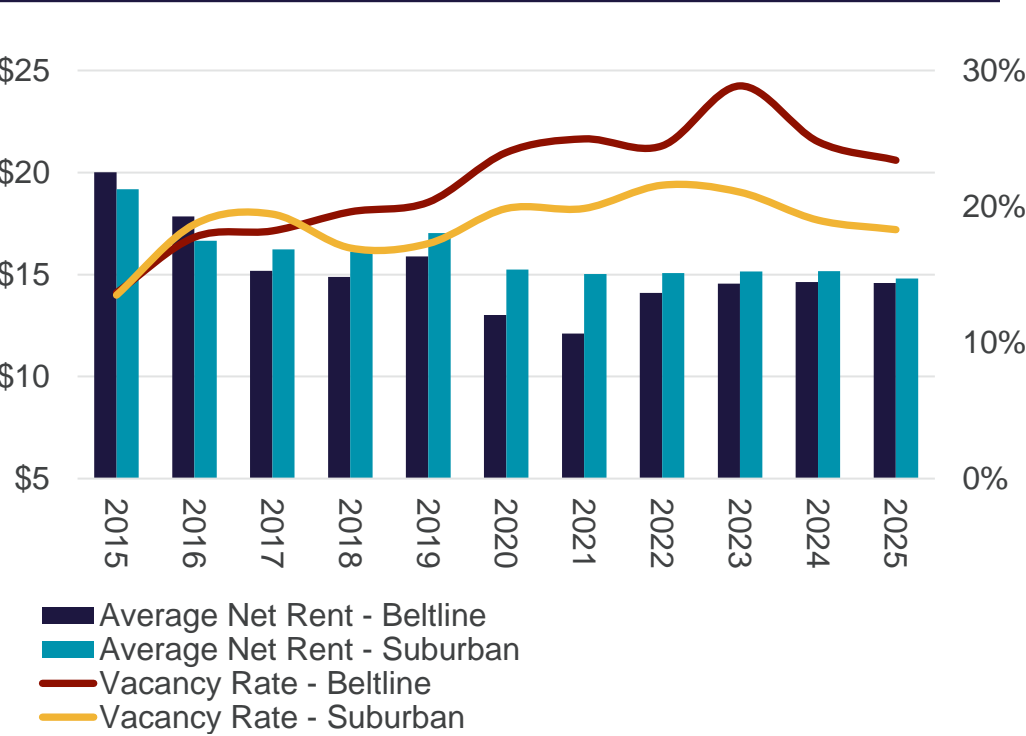
The earlier-noted conversions have forced tenants to seek office space alternatives, often moving to buildings unlikely to be converted or upgrading to higher-class properties, has brought about two natural consequences. Firstly, it has allowed landlords to begin recouping costs on what had become discounted spaces in the face of a plethora of choices tenants have enjoyed in a high-vacancy office environment.

Secondly, we’ve noted increased competition for furnished spaces, as has also been observed in the suburban markets. With labour and material costs having risen significantly in recent years, landlords have deferred prep and reno costs to avoid raising asking rents. The direct fallout of this is prospective tenants being put in a position of needing to foot the bill for their own furniture and improvements.

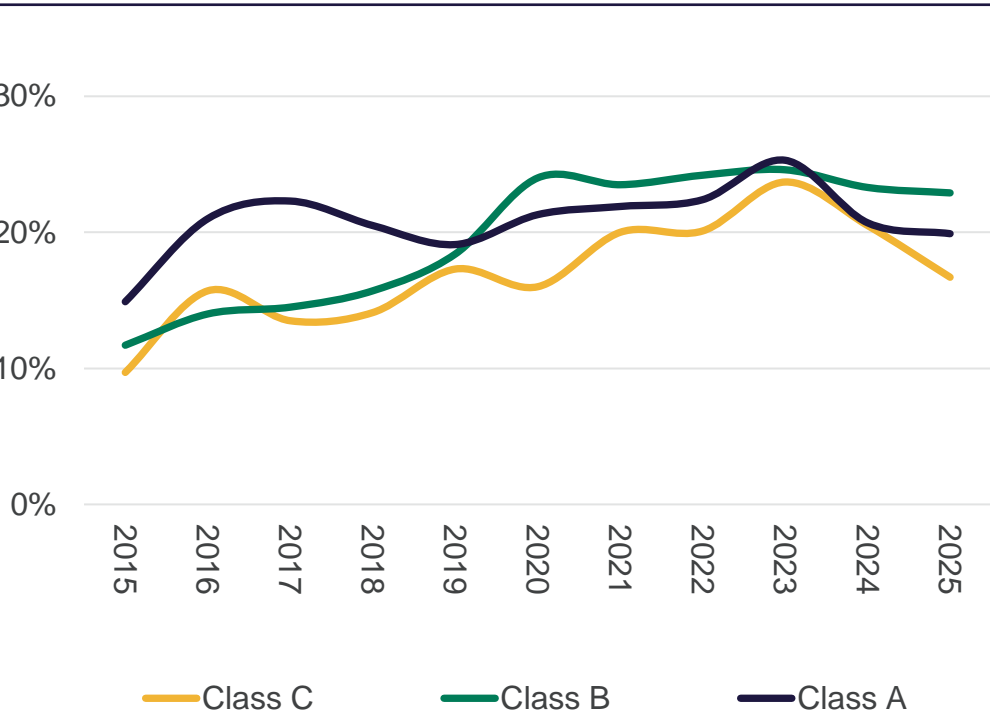
OUTLOOK

- Strong activity through Q1 2025 continued to move Downtown vacancy in the right direction. Predicting future trends, however, has become significantly more difficult in the face of on-again/off-again tariff announcements from the U.S. Administration.
- The vacancy rate decline in the Downtown is likely to trough in the short-term as this submarket adjusts to the conversions and resulting tenant movement.
- The Downtown’s latest completed office conversion - *The HAT at Eau Claire* (formerly Eau Claire Place I) – bodes well for the pipeline of other projects announced under round 1 of Downtown Development Initiative Program funding. A total of 87 new rental homes are now available for occupancy in Calgary’s Downtown.
- The Eau Claire Place II conversion called *Eau Claire Residences*, is expected to introduce 195 premium rental homes as early as summer of this year and will be home to more than 330 residents.

HISTORICAL RENT VS. VACANCY



BELTLINE & SUBURBAN MARKET VACANCY BY CLASS



BELTLINE & SUBURBAN MARKETS

Inventory changes

The newest change to the Beltline is the repositioning of Joffre Place (708 – 11th Ave. SW) to undergo office-to-residential conversion. With a partial building permit approved for interior partition late in 2024 and office tenants having vacated the premises, this building has been removed from the office inventory. This newest change reduces the Beltline inventory of Class B office space and makes a substantial positive stride toward driving down the stubbornly high availability rates in this class.

Vacancy

The Beltline saw overall vacancy decline by 1.4% from the end of 2024 due to a combination of reduced marketed vacant space and more than 34k sf of positive absorption. Slight decreases in vacancy were seen across all building classes; Class A (-0.5%), Class B (-0.9%) and Class C (-6.6%). The suburban markets also posted a net quarter-over-quarter (QOQ) reduction in vacancy of 0.7% on more than 65k sf of positive absorption. Drilling down, the suburban northwest had a challenging quarter and posted net negative 12k sf of absorption while the southeast and northeast quadrants more than compensated with net positive 35k sf each.

Rates

The overall average net asking rate in the Beltline office market decreased slightly to \$14.58 psf from \$14.63 psf at year-end 2024. The suburban markets also posted a QOQ reduction in net rent, decreasing to \$14.81 psf from \$15.16 psf in the previous quarter. The highest overall net rents were recoded in the southeast quadrant at \$15.85 psf versus \$14.38 psf in the northwest quadrant.

Our Take

Compared to the Downtown and Beltline markets, the suburbs have been the picture of tranquility when it comes to inventory stability. This is something of a double-edged sword however, given that the last major commercial office building boom started a decade ago and ended before the COVID-19 pandemic. That period of office construction introduced several Class A developments across the city. Many of those buildings now need renovations to keep current despite their relative newness, and they face similar pressures to older product.

A silver lining may be emerging, however; the City of Calgary has produced a new draft land use amendments matrix – with anticipated 2026 implementation - the goal of which is to expedite educational and other uses for properties currently zoned for office use. This is intended to work with the provincial government's new focus on opening numerous additional schools – including charter schools – throughout the province in the coming few years. A positive spin-off is that it will simultaneously help address the significant number of large vacant office spaces around the city.

OUTLOOK

- Increased suburban leasing activity over the previous several quarters has started to create a shortage of furnished, move-in ready smaller suites. We expect small-to-midsized tenants are likely to continue having to lower their expectations for furnished spaces and be ready to take on the costs of renovations.
- The number of unfurnished spaces - in both the Beltline and suburban markets – that are in reasonably good condition and require minimal touch-ups has also been decreasing quickly, causing a split in the quality of spaces available to the average tenant. We expect to see a continuation of large, well-financed tenants with the ability to sign long-term leases preferentially gaining access to newly renovated and upgraded spaces, where significant expenditures have been made by Landlords to attract higher-quality tenants.
- Strong demand for educational-use spaces by charter schools has carried over from 2024 and we anticipate that will continue, and perhaps increase, with the new land use amendments matrix.

MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	YTD LEASING ACTIVITY (SF)	UNDER CNSTR (SF)	UNDER CNVRS (SF)	OVERALL AVG ASKING RENT (ALL CLASSES)*	OVERALL AVG ASKING RENT (CLASS A)*
Central Core	20,100,494	496,552	3,994,492	22.3%	25,274	25,274	441,882	-	(494,546)	\$15.07	\$19.72
East Core	15,980,329	816,309	2,882,762	23.1%	-155,366	-155,366	374,131	-	(622,341)	\$22.52	\$23.53
West Core	6,127,742	572,521	2,217,106	45.5%	213,316	213,316	367,970	-	(503,239)	\$10.05	\$18.79
DOWNTOWN SUBTOTAL	42,208,565	1,885,382	9,094,360	26.0%	83,224	83,224	1,183,983	-	(1,620,126)	\$16.12	\$21.53
Beltline	6,001,574	204,539	1,201,066	23.4%	34,477	34,477	155,930	-	(107,261)	\$14.58	\$18.30
TOTAL CENTRAL AREA	48,210,139	2,089,921	10,295,426	25.7%	117,701	117,701	1,339,913	-	(1,727,387)	\$14.10	\$21.31
Northeast	5,118,166	56,128	901,495	18.7%	34,546	34,546	29,726	-	-	\$13.58	\$15.41
Northwest	2,182,849	34,829	252,525	13.2%	-12,214	-12,214	14,162	-	-	\$14.38	\$18.40
TOTAL NORTH AREA	7,301,015	90,957	1,154,020	17.1%	22,332	22,332	43,888	-	-	\$13.72	\$15.72
Southeast	8,340,932	64,010	1,560,628	19.5%	35,589	35,589	154,105	-	-	\$15.85	\$16.86
Southwest	3,426,092	12,664	614,654	18.3%	7,855	7,855	84,599	-	-	\$14.11	\$16.47
TOTAL SOUTH AREA	11,767,024	76,674	2,175,282	19.1%	43,444	43,444	238,704	-	-	\$15.40	\$16.78
TOTAL SUBURBAN AREA	19,068,039	167,631	3,329,302	18.3%	65,776	65,776	282,592	-	-	\$14.81	\$16.52
CALGARY TOTALS	67,278,178	2,257,552	13,624,728	23.6%	183,477	183,477	1,622,505	-	(1,727,387)	\$15.84	\$20.21

*Rental rates reflect weighted net asking \$psf/year weighted on vacant space

KEY Q1 2025 CALGARY OFFICE LEASE TRANSACTIONS

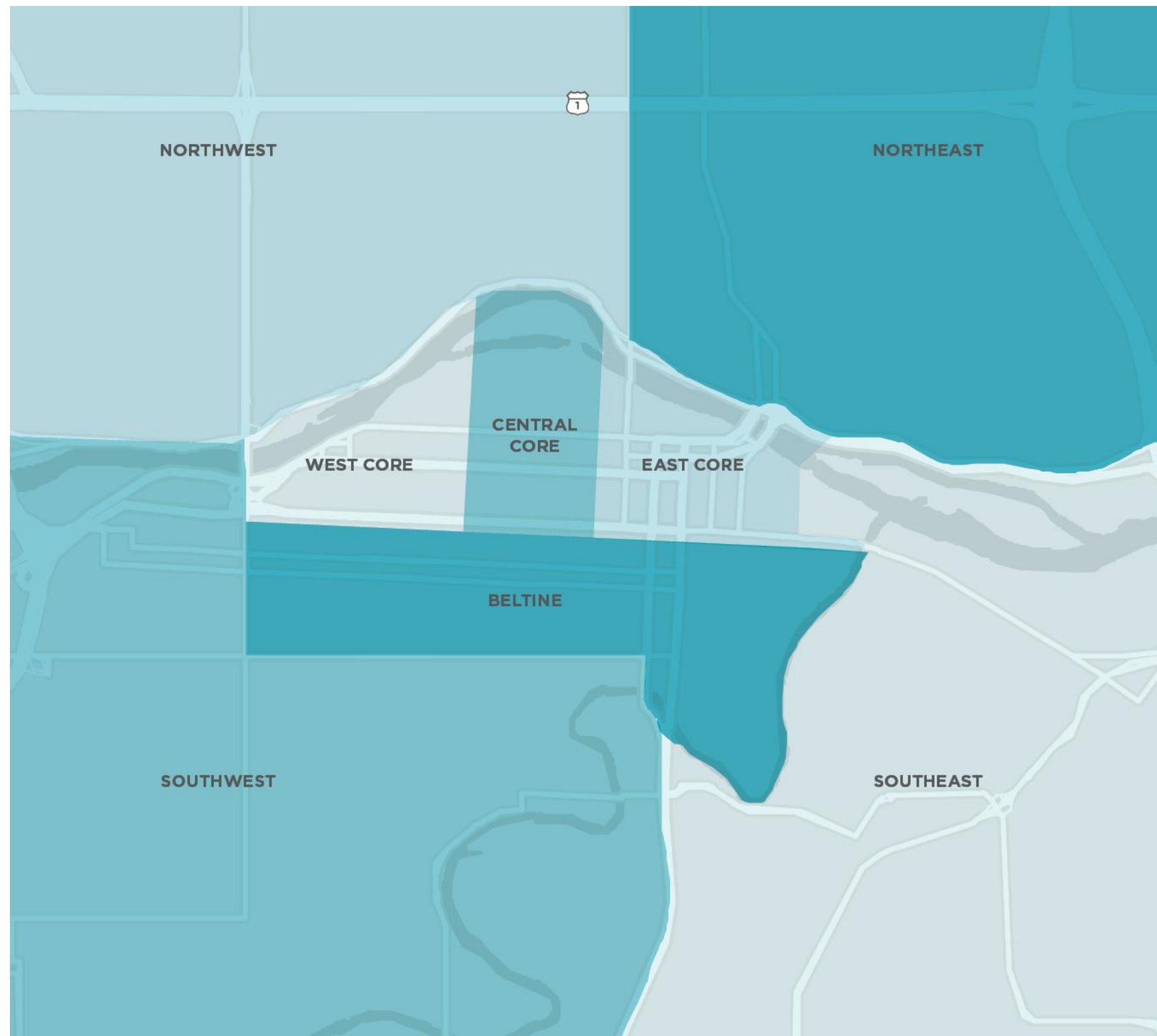
PROPERTY	SUBMARKET	TENANT	SF	TYPE*
801 7th Avenue SW (801 Seventh)	Downtown – West Core	University of Calgary	151,899	Headlease
240 4 th Avenue SW (240 Fourth)	Downtown – East Core	KPMG LLP	119,528	Headlease
115 Quarry Park Road SE	Suburban SE	CoolIT Systems	45,632	Sublease
500 Centre Street SW (The Bow)	Downtown – East Core	Gran Tierra Energy Inc.	40,175	Sublease

*Renewals not included in leasing statistics

KEY Q1 2025 CALGARY SALES TRANSACTIONS

PROPERTY	SUBMARKET	SELLER/BUYER	SF	PRICE / \$ PSF
7136 11 Ave NE (SWIFT Centre)	Suburban NE	Yuvraj Holdings Ltd./2661592 Alberta Ltd.	51,986	\$5,200,000/\$100.03
615 Macleod Trail SE (Rocky Mountain Plaza)	Downtown – East Core	Group Three Property Management Inc./Undisclosed	205,254	Undisclosed

OFFICE SUBMARKETS



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