

MARKET FUNDAMENTALS

	YOY Chg	Outlook
23.1% Vacancy Rate	▼	—
315K YTD Net Absorption, SF	▲	▲
\$15.53 Asking Net Rent, PSF <small>(Overall, All Property Classes)</small>	▲	▲

ECONOMIC INDICATORS

	YOY Chg	Outlook
1.03M CMR Employment (May. 2025)	▲	—
7.8% CMR Unemployment Rate	▼	—
7.0% Canada Unemployment Rate	▲	▲

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

ECONOMY

The Calgary Metropolitan Region (CMR) unemployment rate rose to 7.8% in the second quarter of 2025, up 50 basis points (bps) from Q1 2025. The Calgary Economic Region (CER) unemployment rate was up notably; however, rising to 8.1% from 7.2% in the previous quarter.

Educational Services led job growth in Calgary during the second quarter, adding approximately 17,000 more jobs within the sector on a year-over-year (YOY) basis, followed by the retail sector and construction sectors. Sizeable YOY workforce decreases were observed in the Administrative & Support sector, which contracted by approximately 5,400 workers. The Accommodation and Food Services as well as Manufacturing workforces each contracted as well, by 4,800 and 4,700 workers, respectively.

Source: City of Calgary

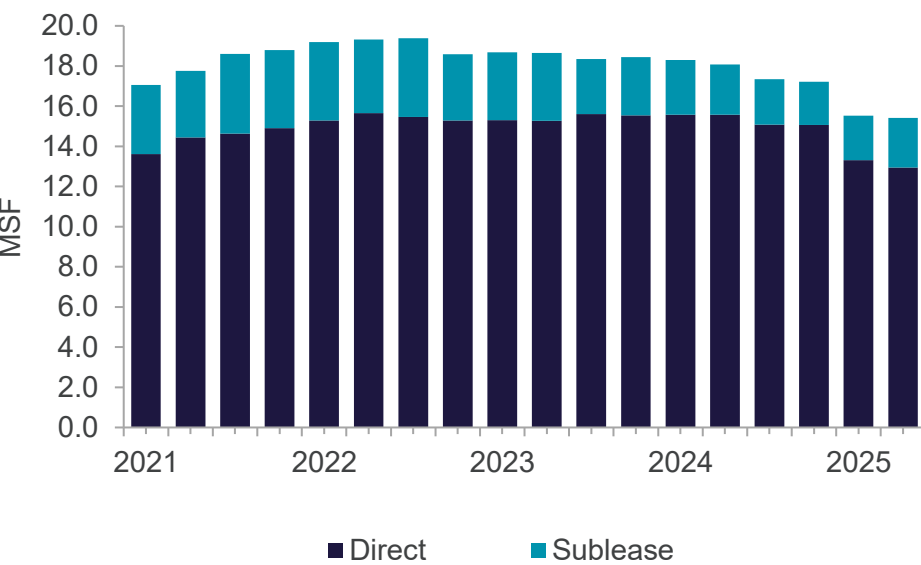
CALGARY OVERALL OFFICE MARKET

The overall average net asking rate in the Calgary office market posted a slight quarter-over-quarter (QOQ) decrease at the mid-point of 2025, falling to \$15.53 per square foot (psf) from \$15.84 psf in Q1 of this year. In the Downtown market, rental rates moderated slightly with rates decreasing to \$15.45 psf from \$16.31 psf at the end of the previous quarter. Similarly, overall average net rents in the Beltline and Suburban markets declined slightly - in most cases by pennies per square foot - as overall demand quieted through the quarter.

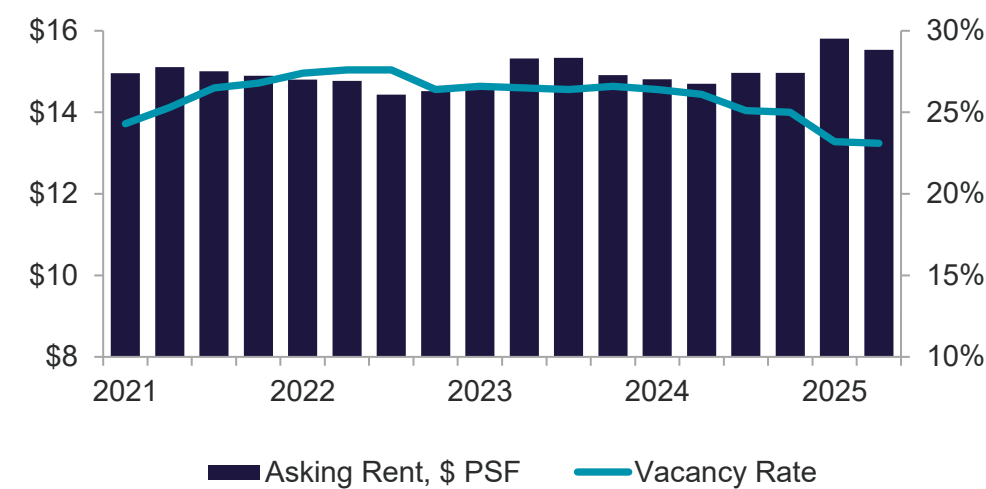
On a YOY basis, leasing activity remained strong and was nearly on par with Q2 2024 levels at 911k square feet (sf) versus 1.1 million square feet (msf) at this point last year. Our view holds that this is strongly indicative of confidence in the market as the year proceeds. As with the first quarter of this year, this was most notable in the Downtown submarket where most – more than 527k sf – of new leasing activity occurred. The Suburban South markets reported the next highest amount of leasing activity where an additional 211k sf of space was secured by tenants through the quarter.

City-wide net positive absorption was recorded at more than 315k sf through Q2 2025 – a differential of approximately 165k sf YOY, even with mid-year 2024 absorption entering positive territory.

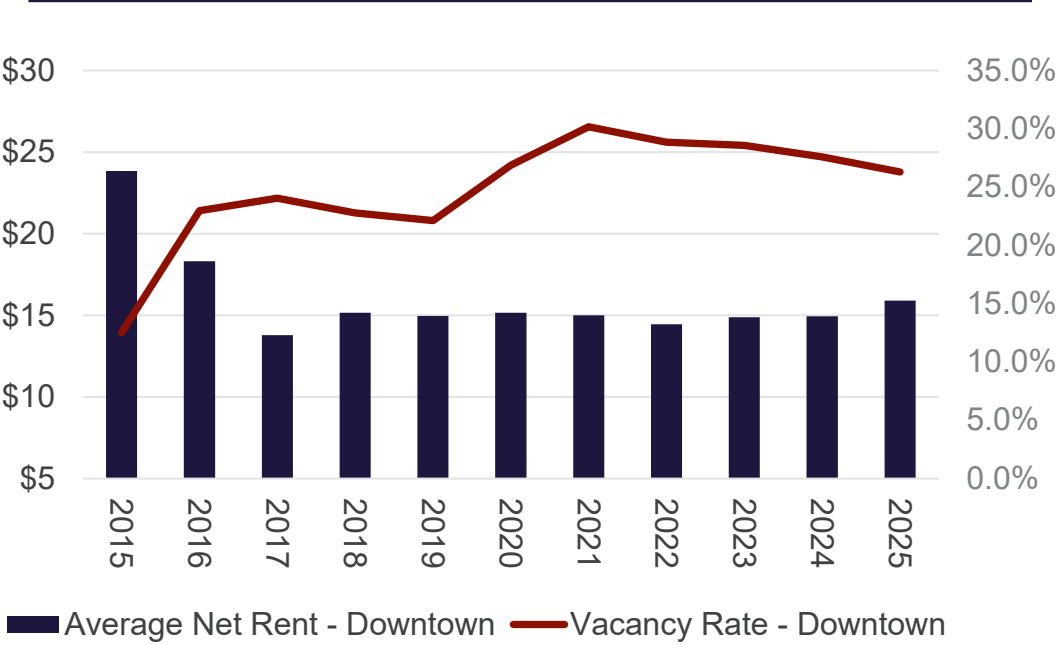
DIRECT VS. SUBLEASE VACANT SPACE



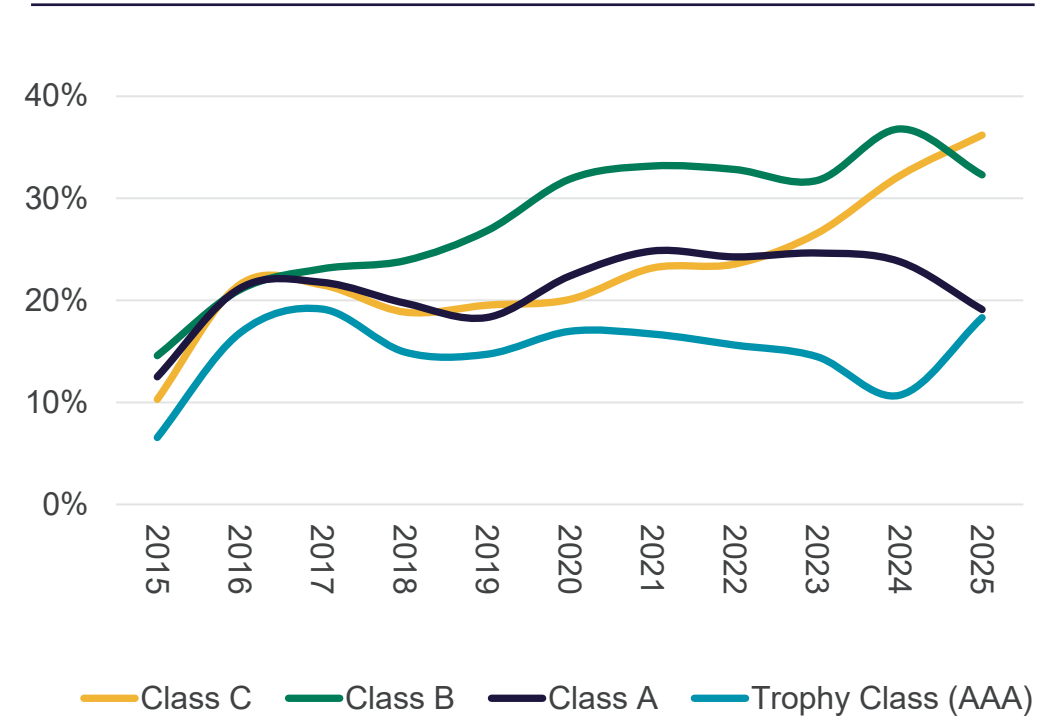
OVERALL VACANCY & ASKING RENT



HISTORICAL RENT VS. VACANCY



DOWNTOWN MARKET VACANCY BY CLASS



DOWNTOWN MARKET

Inventory Changes

Calgary’s Downtown transformation continues, with two more office buildings - Chevron Plaza (being acquired by Strategic Properties) and 606 Fourth (owned by Dream Office REIT) moving toward residential conversion. As a result, these buildings have been removed from the Downtown office inventory, which now consists of 145 buildings totaling approximately 42.0 msf. In total, ten buildings earmarked for office-to-residential conversion have been removed from our inventory so far this year.

The list for 2025 to date includes: 606 Fourth, 640 Fifth, Atrium I and Atrium II, Chevron Plaza, Dominion Centre, Five Ten Fifth, Palliser I, Place 800 as well as Rocky Mountain Plaza which total 2,012,956 sf.

Vacancy and Absorption

While some vacant space in 606 Fourth was taken off the market, the combination of a smaller Downtown inventory plus net 137k sf of negative absorption increased vacancy to 26.3% from 26.0% in the previous quarter. As for overall leasing activity, more than 527k sf of space changed hands during the second quarter of 2025. Approximately 336k sf of that occurred in the Central Core. For the year to date, more than 1.7 msf has been tracked for the Downtown and the Central Core has been the locus of activity.

Rental Rates

The overall average net asking rate in the Downtown Calgary office market decreased slightly to \$15.45 psf through Q2 2025 from \$15.84 psf in Q1 2025. It should be pointed out that in the first quarter of the year we removed several low-cost buildings from inventory and that served to buoy overall rates by reducing the lower-end range. With the second quarter being relatively quiet and approximately 210k sf of additional sublease space coming to market, our calculated average prices moderated slightly.

Our Take

Several factors conspired to soften leasing activity and absorption as mid-year approached. One was a general slowing of decisions in response to U.S. tariffs on Canadian energy, as companies sought to assess the real and potential impacts of medium-to-long-term duration.

Lastly, the lease expiries of many large tenants do not arrive until 2028. Given the long runway, the anticipated lack of movement among this group is expected to result in an overall short-term slowdown in the Downtown.

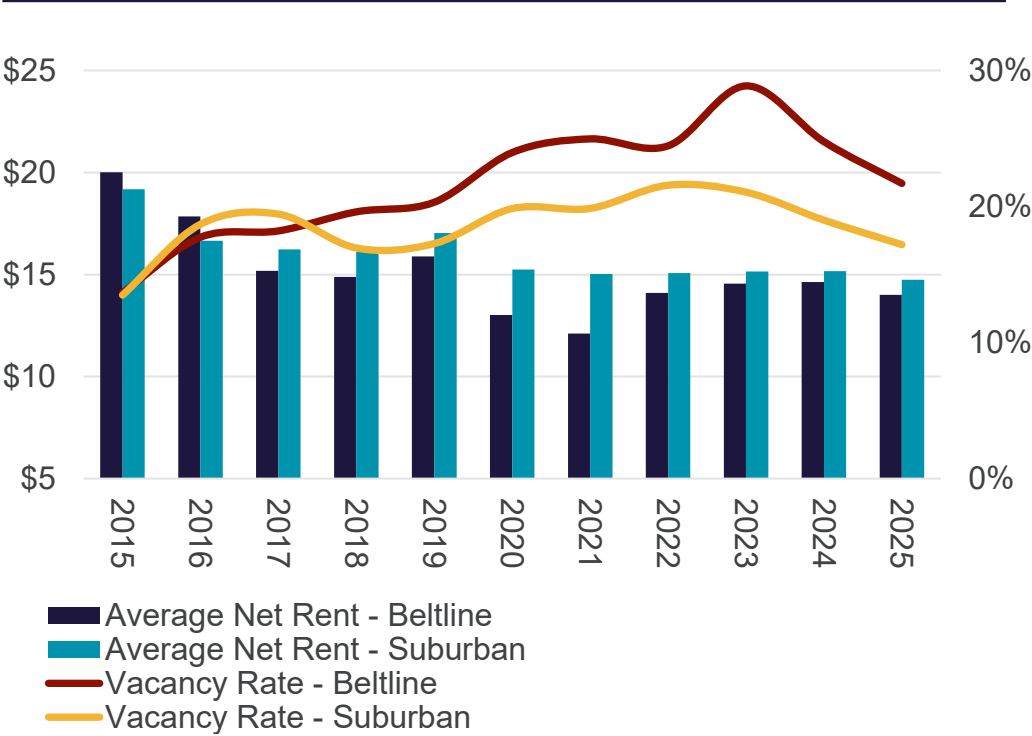
OUTLOOK

- The Downtown office building ownership pendulum continued its swing back toward private vs. institutional possession. Continuing this trend was Oxford Properties Group acquiring full ownership of a high-quality Western Canada office portfolio from CPP Investments in June 2025, which includes Eau Claire Tower, Centennial Place and 400 Third in Calgary.
- The vacancy rate in the Downtown is likely to remain stable in the short-term as this submarket adjusts to new and ongoing conversions, plus the resulting tenant movement.
- We expect ongoing densification of Calgary’s Downtown due to the above-noted office conversion work. While some tenants remain in buildings slated for conversion, they have generally received notice that they need to relocate within six months and have, or are, relocating accordingly.

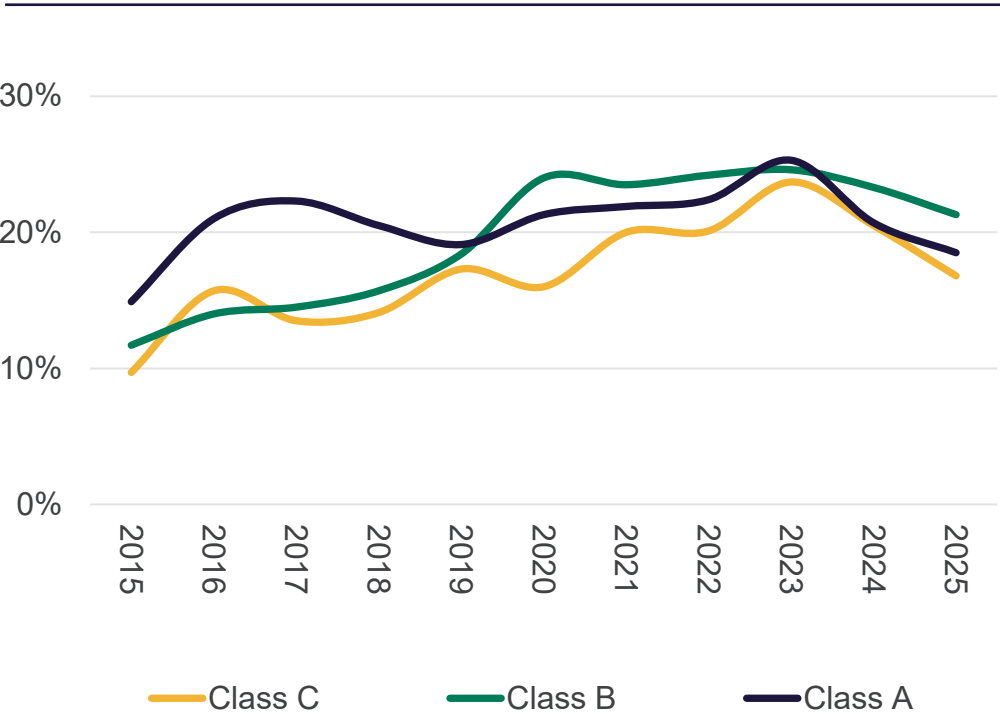
In June 2025, we conducted a comprehensive review of Downtown building classes and adjusted ten properties – primarily B and C Classes. As a result, some quarter-over-quarter changes to some within-class metrics such as weighted average asking rents, vacancy and absorption changes are more dramatic than in previous reports.



HISTORICAL RENT VS. VACANCY



BELTLINE & SUBURBAN MARKET VACANCY BY CLASS



BELTLINE & SUBURBAN MARKETS

Large Office Leases, Activity and Inventory Changes

The southeast quadrant of the city was the most active during the second quarter of 2025. Within this area, Quarry Park was a particular hot spot, having posted more than 150k sf of positive absorption through the quarter and had a similar level of leasing activity occurring in various stages.

Throughout the quadrant in general, large deals were still being explored by charter schools and some being completed, such as Pasquini & Associates leasing approximately 26k sf in Atlantic Avenue Art Block.

Meanwhile in the Beltline, Beltline Block Tower 1 was taken out of inventory as it's being repositioned for residential conversion. This removal reduced Beltline and inventory by a further 126k sf.

Vacancy and Absorption

The Beltline saw overall vacancy decline by 170 bps from Q1 2025 due to a combination of reduced marketed vacant space and approximately 11k sf of positive absorption. The suburban markets also posted a net QOQ reduction in vacancy of 110 bps on more than 140k sf of positive absorption. Drilling down, the suburban northwest posted a second consecutive quarter of net negative absorption of 11k sf, as did the suburban southwest of 8,600 sf while the southeast and northeast quadrants more than compensated with substantial net positive numbers.

For the year to date, the suburban markets have surpassed mid-year 2024 absorption and leasing activity levels, as has the Beltline.

Rental Rates

The overall average net asking rate in the Beltline office market decreased by 4.0% to \$14.01 psf from \$14.58 psf in Q1 2025. The suburban markets also posted a QOQ reduction in net rent, decreasing to \$14.74 psf from \$14.81 psf in the previous quarter. With that said, the southeast quadrant again posted the highest overall net rental rates at \$15.80 psf while at the other end of the spectrum, rents in the northwest quadrant averaged \$13.50 psf.

Our Take

Office users in the suburban markets appeared to quickly acclimate to the on again-off again tariff announcements, implementations and removals by the U.S. administration. Late in the first quarter and early in the second, we observed leasing decisions slowing notably and we anticipated ongoing trepidation among decision-makers for the foreseeable future. As June arrived, however, office tenants were once again closing large leases which led to an unexpectedly strong quarter-end. Given mixed messages from the U.S. president on pending trade negotiations with Canada, however, third-quarter activity may quiet somewhat.

OUTLOOK

- The number of unfurnished spaces - in both the Beltline and suburban markets – that are in reasonably good condition and require minimal touch-ups is likely to diminish further as leasing activity continues to diminish the pool of quality spaces available to the average tenant.
- Strong demand for educational-use spaces by charter schools has carried over from the previous quarter. We anticipate this will continue - and perhaps increase - as new charter schools are established with an eye on accessing the Alberta government's School Construction Accelerator Program.

In June 2025, we conducted a comprehensive review of Beltline and Suburban building classes. Adjustments will be made in the coming quarter. As a result, quarter-over-quarter changes to some within-class metrics such as weighted average asking rents, vacancy and absorption changes may be more dramatic than in previous reports.

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	19,743,379	578,362	3,697,929	21.7%	78,416	196,626	770,079	-	(392,830)	\$15.19	\$21.26
East Core	16,083,245	965,629	2,939,313	24.3%	-230,375	-378,863	501,612	-	-	\$21.12	\$22.58
West Core	6,127,742	552,331	2,152,968	44.1%	14,677	214,554	435,875	-	-	\$10.04	\$18.79
DOWNTOWN SUBTOTAL	41,954,366	2,096,322	8,790,210	26.3%	-137,282	-54,058	1,707,566	-	(392,830)	\$15.45	\$20.88
Beltline	5,891,292	226,732	1,049,771	21.7%	10,706	43,344	275,083	-	(125,994)	\$14.01	\$17.34
TOTAL CENTRAL AREA	47,845,658	2,323,054	9,839,981	25.4%	-126,576	-10,714	1,982,649	-	(518,824)	\$15.73	\$21.36
Northeast	5,133,704	69,439	804,272	17.0%	8,521	53,460	70,303	-	-	\$13.50	\$15.42
Northwest	2,182,849	34,829	263,680	13.7%	-11,155	-23,369	38,480	-	-	\$14.30	\$18.15
TOTAL NORTH AREA	7,316,553	104,268	1,067,952	16.0%	-2,634	30,091	108,783	-	-	\$13.64	\$15.70
Southeast	8,127,285	22,445	1,420,823	17.8%	151,431	208,788	327,191	-	-	\$15.80	\$17.01
Southwest	3,429,796	12,909	619,457	18.4%	-8,627	663	123,322	-	-	\$14.22	\$16.59
TOTAL SOUTH AREA	11,557,081	35,354	2,040,280	18%	142,804	209,451	450,513	-	-	\$15.34	\$16.91
TOTAL SUBURBAN AREA	18,873,634	139,622	3,108,232	17.2%	140,170	239,542	559,296	-	-	\$14.74	\$16.60
CALGARY TOTALS	66,719,292	2,462,676	12,948,213	23.1%	13,594	315,203	2,541,945	-	(518,824)	\$15.53	\$20.27

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

KEY Q2 2025 CALGARY OFFICE LEASE TRANSACTIONS

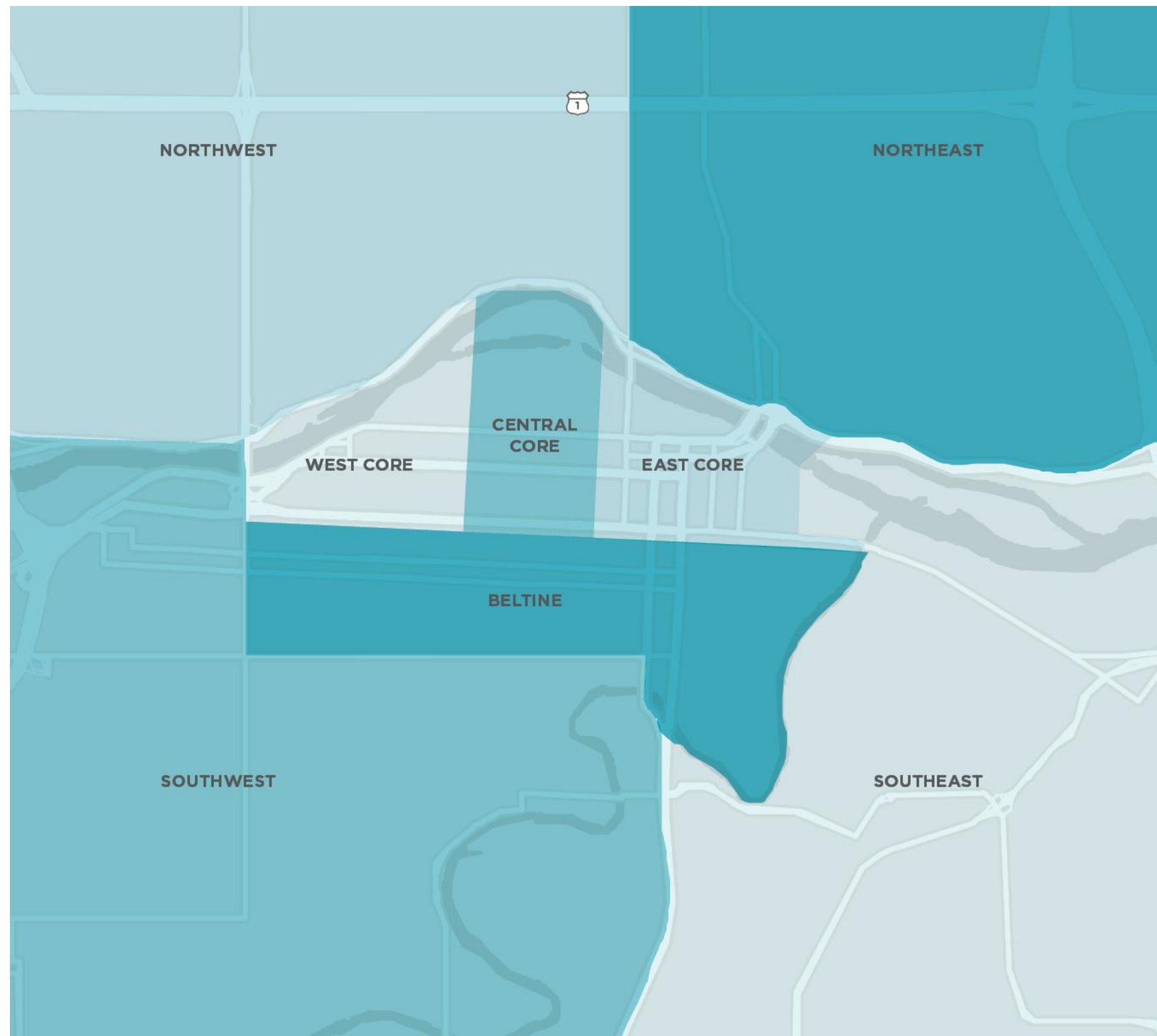
PROPERTY	SUBMARKET	TENANT	SF	TYPE*
425 1st Street SW (Fifth Avenue Place - East)	Downtown – East Core	Enbridge Inc.	449,000	Headlease
440 2nd Avenue SW (Millennium Tower)	Downtown – Central Core	Black Diamond Group	60,500	Headlease
308 4th Avenue SW (Jamieson Place)	Downtown – Central Core	Superior Plus Corp.	50,000	Headlease
401 9th Avenue SW (Gulf Canada Square)	Downtown – Central Core	Nureva Inc.	26,500	Headlease
605 5th Avenue SW (Fifth & Fifth)	Downtown – Central Core	Bluestar Engineering	26,000	Headlease
1011 9th Avenue SE (Atlantic Avenue Art Block)	Suburban SE - Inglewood	Pasquini & Associates	26,000	Headlease

\*Renewals not included in leasing statistics

KEY Q2 2025 CALGARY SALES TRANSACTIONS

PROPERTY	SUBMARKET	SELLER/BUYER	SF	PRICE / \$ PSF
400 – 3rd Ave. SW (400 Third)	Downtown – Central Core	CCP Investments/Oxford Properties Group	806,051	\$65,813,558 (\$160.52/SF)
520 3rd Ave SW (Centennial Place East Tower)	Downtown – Central Core	CCP Investments/Oxford Properties Group	776,192	\$58,416,124 (\$144.06/SF)
600 3rd Ave SW ( Eau Claire Tower)	Downtown – Central Core	CCP Investments/Oxford Properties Group	578,677	\$44,718,913 (\$146.34/SF)
. 250 5th St SW (Centennial Place West Tower)	Downtown – Central Core	CCP Investments/Oxford Properties Group	439,590	\$29,357,690 (\$128.35/SF)

OFFICE SUBMARKETS



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