



# SPRING 2024

## CALGARY MARKET REPORT

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### DOWNTOWN OFFICE TRENDS

Vacancy Rate  **29.9%**

Asking Rental Rates (PSF)  **\$13.32**

### BELTLINE OFFICE TRENDS

Vacancy Rate  **25.5%**


Asking Rental Rates (PSF)  **\$26.27**

### SUBURBAN OFFICE TRENDS

Vacancy Rate  **23.5%**

Asking Rental Rates (PSF)  **\$15.47**


### MULTI-FAMILY TRENDS


Vacancy Rate  **1.4%**

Asking Rental Rates (PSF)  **\$2.89**

### INDUSTRIAL TRENDS

SQ FT Net Absorption (Q1) **1,530,761**

Vacancy Rate  **2.7%**


Asking Rental Rates (PSF)  **\$11.81**


SQ FT Delivered to Market (YTD) **1,891,979**

SQ FT Under Construction **9,073,710**

### RETAIL TRENDS

SQ FT Net Absorption (Q1) **803,370**

Vacancy Rate  **2.46%**

Asking Rental Rates (PSF)  **\$27.40**

SQ FT Delivered to Market (YTD) **809,186**

SQ FT Under Construction **1,453,975**



## ALBERTA MACRO-ECONOMIC OVERVIEW

Despite fears of uncertainty, for the fourth consecutive year, Alberta is projecting continued economic growth, maintaining its spot at the top of the provincial growth charts with a GDP of 2.3% – slightly lower than projected last quarter.

The Alberta Government’s fiscal responsibility has allowed for increased investment into the province’s healthcare and education systems, as we remain the least indebted province in Canada. While Alberta has attracted a diverse portfolio of industries to boost our economic production, the province’s oil and gas sector remains the keystone to Alberta’s fiscal success. The Government of Alberta predicts the oil and gas sector will generate 24% of provincial revenue throughout the year, aided by the Trans Mountain Pipeline (TMX) extension which is slated to be operational midway through 2024.

Expected to increase our export capacity by up to three times, the TMX extension will be critical in helping to meet new global markets, especially in volatile global energy market. Alberta is expected to maintain its top position in terms of growth in the years following, as investment continues to pour into residential and non-residential construction alike. In addition, housing construction in the City of Calgary has risen by a substantial 55.4% since April 2023, further attracting newcomers – whether domestic or international – due to our affordability when compared to other large metropolitan cities outside of Alberta. Overall, Alberta has excelled from a fiscal perspective, comparatively with other provinces.

## ALBERTA ECONOMIC FORECASTS

[ Annual average % change, unless otherwise noted ]

Source: Statistics Canada, CMHC, CREA, Forecast by TD Economics.

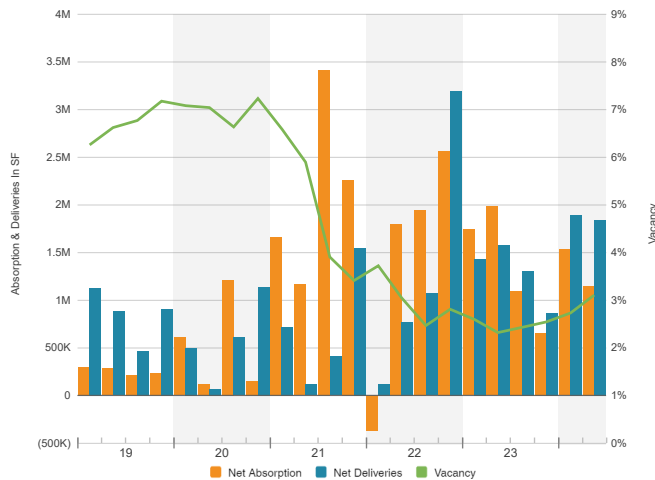
Economic Indicators	2023	2024F	2025F
Real GDP	2.3	2.1	1.9
Nominal GDP	-1.1	5.7	4.0
Employment	3.6	2.9	1.1
Unemployment Rate (%)	5.9	6.4	6.4
Housing Starts (000’s)	35.9	36.6	31.4
Existing Home Prices	0.6	8.5	4.2
Home Sales	-8.0	11.0	6.1

# INDUSTRIAL MARKET OVERVIEW

Calgary's industrial real estate market has long been a barometer of the city's economic health, reflecting the ebbs and flows of Alberta's diverse industries. Delving into the statistics of Quarter 4 of 2023 and Q1 of 2024, a narrative of resilience and adaptation emerges over the six-month span, in spite of ongoing economic shifts and global challenges.

The industrial sector in Calgary has historically been closely tied to the energy industry, particularly oil and gas. However, more recently to logistics as a western Canada distribution hub. The city has diversified its economy, with emerging sectors such as technology, entertainment, and manufacturing playing an increasingly significant role. The continued diversification has helped cushion the market against the volatility often associated with the energy sector, resulting in not just a stable industrial real estate market, but also a growing one.

## Absorption Deliveries + Vacancy Rate



Source: CoStar

Despite facing headwinds from global economic uncertainties and fluctuating commodity prices, Calgary's economy has been resilient. The city's strategic location as a transportation and logistics hub, coupled with its skilled young workforce, continues to attract businesses across various sectors.

Alberta also saw massive population growth with an increase of slightly more than 200,000 people to the province last year. This population boom brought with it a significant amount of local investment that translated into an increase in jobs, with employment increasing by 50,000 positions over the same time frame.

Calgary's real estate market did witness a slight increase in the industrial vacancy rate, which currently hovers around 3.5%. This uptick is attributed to an increase in supply, as a record four-million square feet was delivered in Q1 of 2024. Of this new supply, approximately 60% was occupied upon

delivery, which added 2.4 million square feet of positive absorption.

Pre-leasing sales for spec products remains strong at 55%, despite falling slightly from last year's average of 61%. Beyond added inventory, the increased vacancy rate doesn't tell the whole story. Much of the occupancy shift resulted from spaces above 100,000 square feet. Almost the entire new inventory of four-million square feet represents large bay product associated with the logistics sector. There is still very little construction of small- to mid-size product (under 30,000 square feet) hitting the market. This lack of development in the smaller segment continues to put pressure on the market for that size range, which has resulted in tighter vacancy rates and increasing lease rate pressures as the cost of construction hampers this sector.

Still, the surge in construction of large-scale distribution facilities underscores confidence in the market's long-term prospects, and reflects the growing demand for modern, efficient industrial facilities to support diverse industries.

The average net asking rate for industrial properties across the entire Greater Calgary Region currently sits at \$11.97 per square foot. That's down slightly from \$12.32 per square foot reported at the end of Q4 2023. This decrease can be attributed to the additional large bay spaces delivered to the market from the logistics sector.

Several trends are expected to shape Calgary's industrial real estate market in the coming quarters. Forecasts suggest a gradual tightening of vacancy rates as demand for industrial space continues to outpace supply. Absorption rates, meanwhile, are anticipated to maintain a positive trajectory, driven by robust leasing activity across key industrial submarkets. Additionally, lease rates are forecasted to experience moderate growth, reflecting the increasing value proposition of Calgary's industrial properties amid evolving market dynamics.

Calgary's industrial real estate market has demonstrated resilience and adaptability amidst economic uncertainties. With a diversified economy, growing construction activity, and significant lease and sale transactions, the city remains poised for sustained growth in the industrial sector. As businesses continue to innovate and expand, Calgary's industrial landscape will evolve to meet the demands of a dynamic global marketplace.

## INDUSTRIAL LAND OVERVIEW

Calgary's industrial land market showcased a spectrum of sales ranging from fully-serviced/shovel-ready parcels to semi-serviced and raw land designated for future development. However, as availability continues to decline, prices have been driven even higher within Calgary and the city's surrounding areas. The first phase release of smaller land parcels by the City of Calgary has underscored this scarcity, commanding prices ranging from \$810,000 to \$825,000 per acre. Moreover, larger parcels between six and 20+ acres have been even more challenging to find, which underscores the pressing need for more fully-serviced, semi-serviced, and accessible options to meet the various needs of businesses.

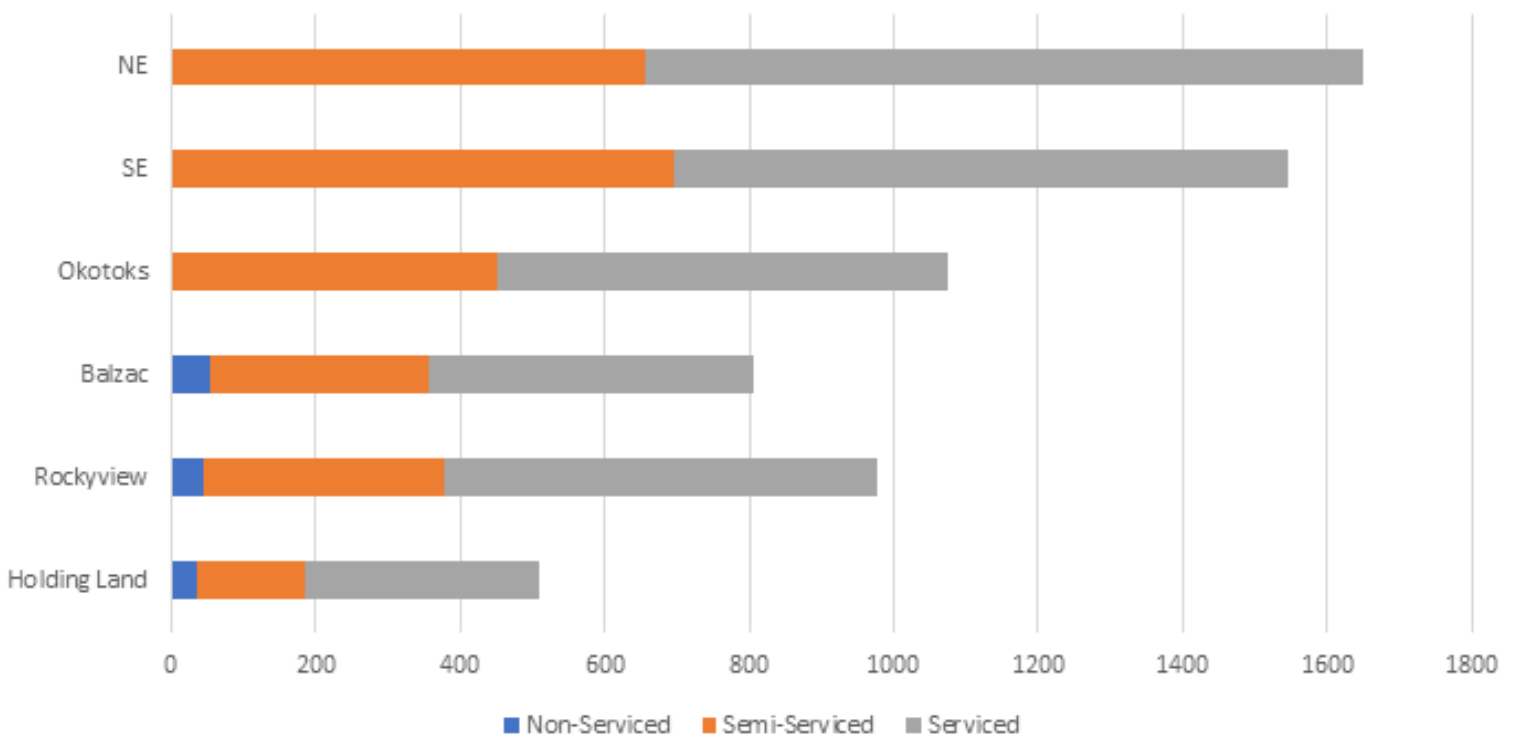
The limited availability of smaller parcels has intensified competition, pushing prices upwards, and making it harder for smaller investors and businesses to enter the market. While the recent land release offers hope, it's clear that more supply is needed to ensure a steady supply of industrial land for the heightened demand, but it'll come with a cost of 10-20% greater than the Q1 2023.

Navigating the regulatory landscape adds another layer of complexity for businesses looking to acquire and develop industrial land. While these regulations are in place to ensure greener developments, they can sometimes pose challenges for businesses needing quick solutions, and add to the overall building costs, which are currently averaging around \$250 per square foot.

For businesses reliant on outdoor storage, regulatory constraints can hamper operational efficiency and flexibility. Meeting strict timelines and build commitments may prove challenging and could potentially disrupt supply chains. Streamlining regulatory processes and offering more flexibility in land use regulations could alleviate these concerns and support smoother operations for businesses that consider Calgary a hub for their Canadian operations.

Calgary's industrial land market presents both opportunities and challenges. While scarcity and regulatory considerations pose hurdles, there continues to be significant demand for industrial space as the pricing relative to other major centres is still low. Addressing these challenges in a collaborative manner will be key to sustaining economic growth and fostering a conducive environment for industrial development in Calgary and its surrounding areas.

## AVERAGE INDUSTRIAL LAND PRICES



\* Prices are per acre x 1,000

## South Central Industrial Market

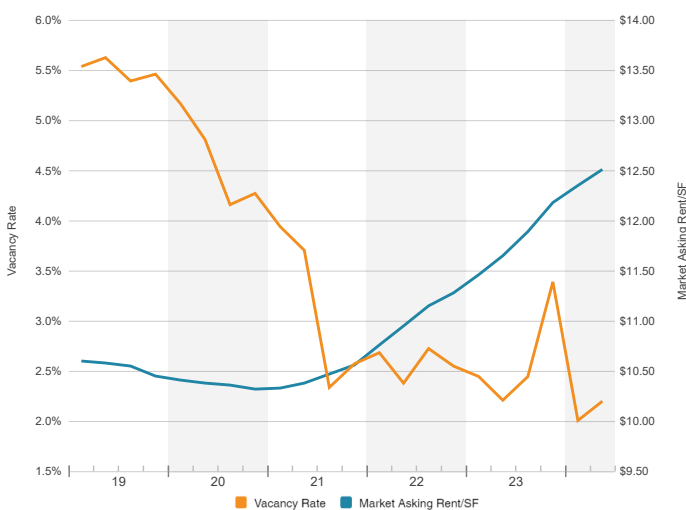
In NAI Advent's Fall Market Report, we reported a vacancy rate of 1.80% (Q3, 2023). Today, using the same formula, we find the vacancy at 2.00% (Q1, 2024). Not much has changed over this period. We still find ourselves in a tight market, and landlords with vacant spaces can ask a bit more versus previous years due the high demand in the market. Tenants looking in the Central Market are finding more competition amongst themselves and landlords not willing to accept hard or heavy uses.

One of the newest projects completed in the Central Market is from Cana Construction, in Engineered Air's newest manufacturing facility on 46th Avenue SE. This expansion was to accommodate the need for Make Up Air units or air handling units for industrial, office, and multifamily projects.

Available properties in the Central Market are getting more interest as of late, with more buyers and tenants coming out of winter hibernation and looking to meet the demands of their businesses.

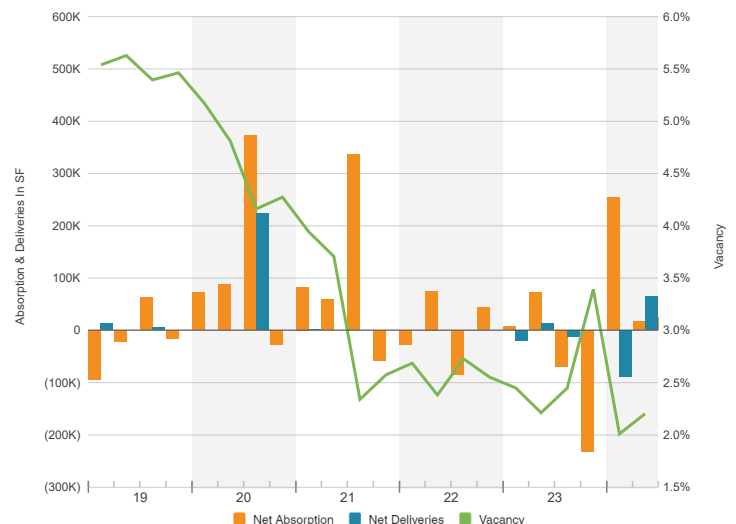


### Vacancy & Asking Rent PSF



Source: CoStar

### Net Absorption, Net Deliveries & Vacancy



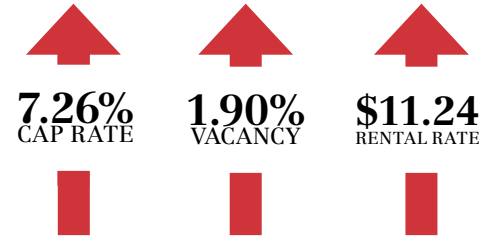
Area	Net Absorption SF (Q4 2023)	Net Absorption SF (Q1 2024)	Avg. Net Asking Rate (Q4 2023)	Avg. Net Asking Rate (Q1 2024)	Avg. Net Market Rate (Q4 2023)	Avg. Net Market Rate (Q1 2024)	Market Cap Rate (Q4 2023)	Market Cap Rate (Q1 2024)	Vacancy (Q4 2023)	Vacancy (Q1 2024)	Availability (Q4 2023)	Availability (Q1 2024)
Inglewood	4,563	NA	NA	NA	\$11.56	\$11.56	7.45%	7.45%	13.10%	13.10%	13.10%	13.10%
Ramsay	-135,140	106,887	\$10.59	\$13.66	\$10.55	\$10.88	7.48%	7.49%	21.20%	6.50%	12.30%	10.20%
Alyth/Bonnybrook	4,780	15,886	\$13.99	\$13.86	\$12.33	\$12.36	7.46%	7.47%	0.70%	0.30%	1.80%	1.10%
Highfield	-97,431	77,440	\$12.61	\$12.78	\$11.62	\$11.83	7.34%	7.35%	3.50%	1.70%	2.20%	3.40%
Burns Industrial	47,677	60,776	\$15.61	\$14.98	\$12.14	\$12.37	7.43%	7.45%	3.80%	2.30%	3.90%	2.90%
Manchester	-14,876	-29,949	\$12.49	\$11.83	\$12.52	\$12.67	7.30%	7.31%	0.90%	1.30%	1.90%	3.10%
Fairview	-30,419	-5,442	\$17.30	\$17.74	\$12.78	\$13.03	7.35%	7.36%	3.30%	3.70%	6.60%	5.90%
East Fairview	-11,027	27,340	\$16.00	\$17.24	\$12.82	\$12.98	7.44%	7.45%	2.10%	0.70%	2.50%	1.80%
<b>Total</b>	<b>-231,873</b>	<b>252,938</b>	<b>\$14.10</b>	<b>\$14.16</b>	<b>\$12.18</b>	<b>\$12.35</b>	<b>7.38%</b>	<b>7.39%</b>	<b>3.40%</b>	<b>2.00%</b>	<b>3.30%</b>	<b>3.40%</b>

Source: CoStar

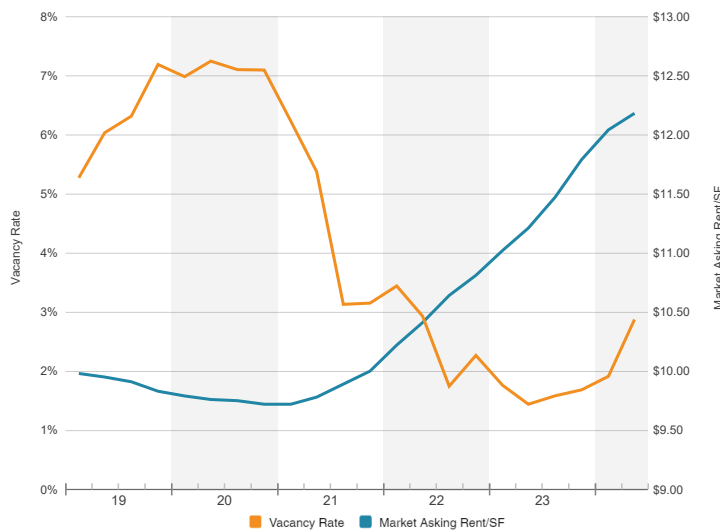
## South East Industrial Market

Vacancy continues to remain low in the SE market. However, there was a slight uptick from 1.7% to 1.9% over the past two quarters; and the availability rate has jumped up from 4.2% in Q3 of 2023 to 6.7% in Quarter 1 of 2024. This could be attributed to the increasing number of businesses that have put their space on the market for sublease.

With increasing property taxes, we have seen tenants leaving the City of Calgary for Balzac and Rockyview, where they can benefit from the lower taxes. The booming industrial market has also proven that a number of tenants are rapidly expanding and need to sublet their space to move into something larger.



### South East Vacancy and Asking Rent Per Square Foot



Source: CoStar

Despite the increase in vacancy and availability, rental rates continue on an upwards trajectory jumping from \$11.24 per square foot to \$12.04 over a one-year period. There are several developers looking to alleviate the need for industrial space in the SE such as Beedie (Rise at Point Trotter; condo sale), Panattoni (68th Street Logistics Park; large distribution-Lease), and Enright (Canal 108, small to mid distribution- Lease). The newest development in the works is the Glenmore Yards Business Park from Anthem Properties, slated for just under 1.43-million square feet of small- and mid-bay warehousing and distribution space, with ancillary retail. While these new developments will be of benefit to larger companies in need of distribution space, the SE market is still in desperate need of smaller units with drive-in loading. Despite the new construction, it's safe to assume rental rates will remain high and vacancy rates low for the foreseeable future in the SE Market.

Area	Net Absorption SF (Q4 2023)	Net Absorption SF (Q1 2024)	Avg. Net Asking Rate (Q4 2023)	Avg. Net Asking Rate (Q1 2024)	Avg. Net Market Rate (Q4 2023)	Avg. Net Market Rate (Q1 2024)	Market Cap Rate (Q4 2023)	Market Cap Rate (Q1 2024)	Vacancy (Q4 2023)	Vacancy (Q1 2024)	Availability (Q4 2023)	Availability (Q1 2024)
Forest Lawn	3,658	NA	\$14.00	\$14.00	\$11.42	\$11.68	7.40%	7.41%	1.40%	1.40%	1.40%	1.40%
Eastfield	-20,828	2,819	\$15.00	\$14.59	\$12.09	\$12.37	7.55%	7.55%	1.10%	1.00%	1.70%	1.40%
Golden Triangle	7,400	-6,508	\$16.72	\$14.13	\$13.95	\$14.21	6.98%	6.98%	0.40%	1.00%	1.20%	4.50%
Valleyfield	19,251	-17,851	\$10.50	\$10.81	\$11.18	\$11.56	7.44%	7.45%	1.90%	2.90%	1.90%	2.90%
Foothills	-112,260	80,585	\$9.75	\$9.67	\$11.04	\$11.25	7.40%	7.41%	2.30%	1.90%	5.00%	5.00%
Starfield	-15,700	-15,460	\$4.73	\$4.73	\$10.19	\$10.40	7.30%	7.31%	0.50%	1.00%	19.20%	19.50%
Great Plains	126,875	19,406	\$14.66	\$14.66	\$11.25	\$11.53	7.14%	7.15%	0.40%	0.70%	9.00%	10.90%
South Foothills	-26,901	21,500	\$13.61	\$14.07	\$12.17	\$12.35	7.20%	7.21%	2.80%	2.40%	4.00%	3.80%
Shepard	20,269	20,637	\$16.80	\$16.60	\$13.64	\$13.76	7.32%	7.33%	1.60%	0.50%	2.20%	0.70%
East Shepard	-21,387	342,656	\$12.79	\$13.64	\$11.83	\$12.15	7.15%	7.16%	1.00%	3.30%	2.80%	6.60%
Shepard Industrial Park	-4,816	53,632	\$17.44	\$17.16	\$13.89	\$14.15	7.20%	7.21%	3.90%	1.00%	4.90%	2.50%
Wrangler	106,961	172,622	\$18.37	\$18.09	\$13.32	\$13.48	7.31%	7.32%	1.20%	0.30%	4.30%	9.90%
Frontier	306,760	210,061	\$23.78	\$21.79	\$13.80	\$14.09	7.05%	7.06%	5.00%	2.00%	9.40%	9.70%
<b>Total</b>	<b>389,282</b>	<b>884,099</b>	<b>\$11.16</b>	<b>\$11.24</b>	<b>\$11.79</b>	<b>\$12.04</b>	<b>7.25%</b>	<b>7.26%</b>	<b>1.70%</b>	<b>1.90%</b>	<b>5.40%</b>	<b>6.70%</b>

Source: CoStar

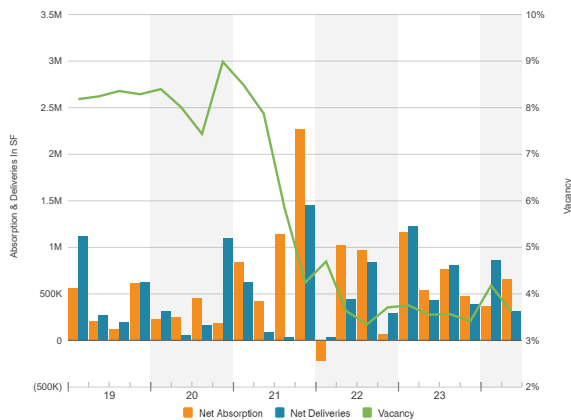
## North East Industrial Market

The industrial real estate market in Northeast Calgary, and directly adjacent Rocky View County industrial properties, continue to experience strong growth and activity. Previous obstacles of inflation and available trades have diminished in the last year, giving rise to more confident development and a return of investment to the area.

The vacancy rate for industrial/flex properties in the Northeast Calgary and Rocky View County area is currently at 3.8%, with an occupancy rate of 95%, indicating a high demand for industrial space in the region. This is a welcome change for many seeking to secure space with some opportunity in the NE.

The average cap rate for industrial commercial property in Northeast Calgary and Rocky View County is currently averaging 6.89,

### Net Absorption, Net Deliveries & Vacancy



up slightly from 6.6 in Q4 2023. This increase is largely due to rising interest rates from last year and continuing high demand for industrial space with a somewhat limited supply. The Bank of Canada has signalled interest rates should be slowly dropping as we move through 2024, and we project that cap rates are likely to drop as well.

As of Q1 2024, there is 5,400,000+/- square feet of industrial commercial real estate under construction in Northeast Calgary and Rocky View County. This is a signal that 2024/2025 will be an absorption boom on increased pending vacancy. This is considerably more (65%) than the same time last year, with the significant development activity demonstrating continued interest in the region. This further suggests there will be additional – though perhaps not adequate – supply available in Q2 and Q3 of 2024 to meet growing demand.

Overall, the industrial commercial real estate market in Northeast Calgary and Rocky View County remains strong, with low vacancy rates and increasing cap rates. We expect to see strong rental rates and continued low vacancies going well into 2025.

Area	Net Absorption SF (Q4 2023)	Net Absorption SF (Q1 2024)	Avg. Net Asking Rate (Q4 2023)	Avg. Net Asking Rate (Q1 2024)	Avg. Net Market Rate (Q4 2023)	Avg. Net Market Rate (Q1 2024)	Market Cap Rate (Q4 2023)	Market Cap Rate (Q1 2024)	Vacancy (Q4 2023)	Vacancy (Q1 2024)	Availability (Q4 2023)	Availability (Q1 2024)
Balzac	104,441	384,795	\$11.47	\$11.26	\$12.69	\$13.04	6.46%	6.44%	4.30%	7.30%	11.60%	20.40%
Stoney 1	NA	-37,323	\$11.50	\$11.50	\$11.18	\$11.57	6.96%	6.94%	0.00%	1.30%	1.60%	1.80%
Stonegate Landing	135,738	NA	NA	NA	\$11.90	\$12.30	6.76%	6.74%	17.10%	17.10%	17.50%	22.30%
Stoney 2	29,204	12,183	\$12.98	\$13.37	\$12.08	\$12.39	6.99%	6.97%	5.90%	5.60%	8.70%	7.70%
Stoney 3	12,500	8,000	\$29.00	\$27.94	\$18.79	\$18.78	6.89%	6.88%	0.40%	0.90%	3.10%	2.10%
Saddleridge Industrial	53,453	NA	\$20.00	\$20.00	\$11.87	\$11.97	7.17%	7.15%	0.00%	0.00%	6.60%	7.90%
Deerfoot Business Centre	NA	-148,372	\$13.80	\$13.68	\$11.24	\$11.55	7.05%	7.03%	0.00%	4.90%	4.90%	6.80%
Skyline West	5,307	-5,307	\$11.99	\$11.99	\$12.69	\$12.92	6.94%	6.92%	0.00%	0.60%	0.60%	1.30%
Skyline East	5,516	8,780	\$11.98	\$11.98	\$11.94	\$12.22	7.03%	7.01%	1.90%	1.50%	9.10%	8.70%
Westwinds	-1,200	3,284	\$16.86	\$13.37	\$13.99	\$14.29	7.07%	7.05%	0.20%	0.00%	0.70%	0.30%
Greenview Industrial Park	11,678	-2,661	\$8.64	\$10.22	\$12.82	\$12.85	6.80%	6.78%	0.10%	0.20%	1.30%	2.70%
McCall	-2,457	21,323	\$10.72	\$11.94	\$12.24	\$12.42	6.76%	6.74%	1.20%	0.50%	6.00%	2.50%
Pegasus	6,105	1,225	\$12.22	\$14.47	\$12.80	\$12.98	6.80%	6.79%	0.60%	0.40%	6.80%	2.00%
North Airways	-3,502	-2,719	\$12.79	\$12.71	\$12.53	\$12.77	6.87%	6.85%	1.50%	1.70%	2.50%	2.10%
Horizon	-11,776	64,849	\$10.97	\$11.06	\$11.23	\$11.51	7.12%	7.10%	2.90%	1.20%	2.80%	2.20%
South Airways	54,448	25,864	\$10.29	\$10.16	\$11.85	\$12.00	6.94%	6.92%	3.50%	2.90%	4.90%	4.70%
Sunridge	25,900	-30,484	NA	NA	\$12.02	\$12.28	7.09%	7.07%	0.00%	2.10%	6.90%	8.20%
Mayland	-2,924	-20,170	\$5.95	\$5.95	\$11.05	\$11.08	7.16%	7.14%	6.50%	7.40%	1.80%	3.30%
Meridian	11,584	26,477	\$11.04	\$10.49	\$12.36	\$12.55	6.87%	6.86%	4.80%	3.70%	9.30%	6.60%
Franklin	41,507	517	\$11.85	\$11.95	\$10.96	\$11.09	7.40%	7.38%	2.10%	2.10%	3.00%	2.90%
<b>Total</b>	<b>475,522</b>	<b>310,261</b>	<b>\$11.71</b>	<b>\$11.79</b>	<b>\$12.24</b>	<b>\$12.50</b>	<b>6.83%</b>	<b>6.81%</b>	<b>3.40%</b>	<b>4.20%</b>	<b>7.20%</b>	<b>9.60%</b>

Source: CoStar



# RETAIL MARKET OVERVIEW

The outlook within the Calgary retail sector persists as notably optimistic, buoyed by Western resilience. The turbulence of the pandemic era has hardened merchants and patrons with the expertise and resources necessary to negotiate a demanding commercial landscape. At the same time, the growing population and unwavering consumer demand is poised to drive vacancy rates even lower and lease rates up beyond the current net market rate average of \$30.91/square foot, while also fostering heightened enthusiasm for retail investor ambitions.



Two themes have dominated the news in the first half of 2024, succinctly summarizing our retail environment: “Alberta’s population surges” and “Proposed increase of capital gains from 1/2 to 2/3’s for corporations and trusts.” Combined, these confirm the bitter-sweet situation currently being experienced in Calgary.

Market cap rates in Calgary are averaging 6.1%; however, several smaller transactions, as well as urban retail that was acquired for eventual redevelopment, are dragging down the ‘transaction’ cap rate below this level. Several mid-sized retail transactions have confirmed a healthy appetite from both sellers and buyers to transact at 7.0% cap rates. Calgary’s 6.1% market cap rate is above the national average of 5.3%.

The average sale value is a modest \$2.2 million per transaction, confirming the strength of non-institutional, private investor activity in the market in small strip centres.

Individual investors in the region are engaged across all asset categories, whereas the demand for returns frequently draws inter-provincial investors into the Alberta market. When considering the larger transactions throughout 2023 and 2024, it appears as though institutional and fund investors have been re-calibrating their investment portfolios, thereby generating openings for smaller funds and regional individual investors. Continuation of such activity is expected in 2024 as capital becomes more accessible for markets like Calgary.

Due to the strong fundamentals of our economic position on the national stage, Calgary – and all of Alberta – will continue to be fertile ground for investors searching for yield. Sentiment in the Calgary retail investment market remains positive. We are seeing active buyers continue to hunt for great assets with market returns, justifiably rewarding long-term owners who are increasingly seeking simplification through divestiture.

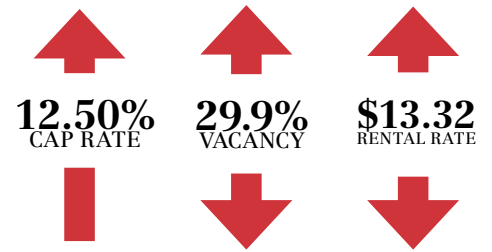
Area	Net Absorption SF (Q4 2023)	Net Absorption SF (Q1 2024)	Avg. Net Asking Rate (Q4 2023)	Avg. Net Asking Rate (Q1 2024)	Avg. Net Market Rate (Q4 2023)	Avg. Net Market Rate (Q1 2024)	Market Cap Rate (Q4 2023)	Market Cap Rate (Q1 2024)	Vacancy (Q4 2023)	Vacancy (Q1 2024)	Availability (Q4 2023)	Availability (Q1 2024)
North West	34,398	158,191	\$25.59	\$25.20	\$34.13	\$34.61	6.06%	6.09%	2.20%	2.00%	2.60%	2.60%
North East	109,617	72,112	\$27.74	\$27.36	\$28.58	\$28.99	6.15%	6.17%	2.38%	2.39%	4.70%	4.89%
South West	165,086	566,518	\$29.40	\$29.45	\$30.72	\$31.16	6.12%	6.13%	2.38%	2.40%	3.50%	3.62%
South East	50,556	17,530	\$29.14	\$29.56	\$27.24	\$27.62	5.93%	5.92%	1.91%	1.72%	2.28%	1.95%
Downtown/Beltline	-50,662	-10,981	\$15.24	\$16.85	\$30.17	\$30.59	6.24%	6.26%	4.30%	4.50%	6.60%	5.30%
<b>Total</b>	<b>308,995</b>	<b>803,370</b>	<b>\$27.16</b>	<b>\$27.40</b>	<b>\$30.48</b>	<b>\$30.91</b>	<b>6.11%</b>	<b>6.13%</b>	<b>2.48%</b>	<b>2.46%</b>	<b>3.79%</b>	<b>3.73%</b>

Source: CoStar



# DOWNTOWN OFFICE MARKET OVERVIEW

Activity in Calgary’s Downtown office market has continued to maintain a form of equilibrium throughout Q1 of 2024, resulting in continued stability. Although overall vacancy in the core has ticked up slightly to 29.9% from last report’s overall vacancy of 29.5%, the increase will not result in any meaningful change in the overall market. As mentioned in previous reports, the oil and gas E&P’s continue to strengthen due to oil stabilizing at higher prices. Even though some new subleases are imminent due to mergers and acquisitions, the strength of the market



should be maintained. Overall rates for all head lease classes are showing continued signs of firming, attributed largely to the continued expiry of many of the subleases that have been weighing on the market over the last few years. The sublease market now accounts for less than two-million square feet.

If there was to be a theme for 2024 and into the near future, it would have to be that of the market adjusting to the one-million square foot relocation of Canadian Natural Resources Ltd. (CNRL) into the former Shell complex. As CNRL makes plans to vacate their longtime tenancy in Bankers Hall and Home Tower, it will open up future opportunities for new tenants to acquire large blocks of AA space in high-demand buildings. Even though this move will not begin in earnest immediately, the upcoming marketing for the resulting vacancy will have a dramatic effect as new tenants jockey to snap up the prized locations.

One issue that continues to plague office tenants attempting to build out new leasehold improvements is the increasingly high cost of both construction material and labour. Cost increases initially driven by supply chain and labour disruptions caused by the COVID-19 pandemic, have now been replaced by consistent inflation affecting every level of construction. The high cost of construction increasingly weighs on tenants’ decisions to relocate or simply stay in place and attempt to reduce lease costs as much as possible.

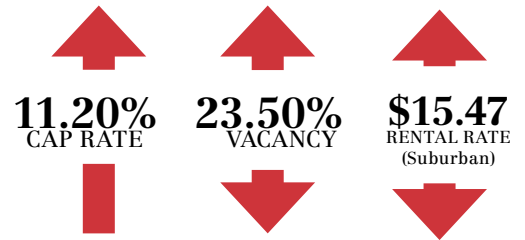
## NOTABLE DOWNTOWN OFFICE LEASE TRANSACTIONS

TENANT	SF OCCUPIED	BUILDING NAME/ADDRESS	LEASE TYPE
Canadian Natural Resources Ltd.	640,068	Shell Centre	Headlease
Canadian Natural Resources Ltd.	276,235	400 Third	Headlease
AltaGas Ltd.	130,024	707 Fifth	Headlease
South Bow Corp.	87,000	707 Fifth	Headlease

Source: CoStar

# SUBURBAN OFFICE MARKET OVERVIEW

With approximately 50,000 square feet of leasing activity in the Quarter 1 of 2024, the suburban market had its fourth consecutive quarter of positive absorption. However, due to approximately 120,000 square feet of new supply to the market, the overall vacancy rose slightly from 21.3% to 22.7%. The northwest and northeast markets saw the largest net absorption, driven by owner-users and the medical sector. As demand for premium Class A space continues to grow, average net asking rates have increased slightly from \$15.30 to \$15.47 per square foot.



Rental rates appear to be rising in areas that are close to residential areas, as office workers prefer spaces closer to home to avoid both high fuel costs and traffic congestion associated with long commutes. As in the downtown market, there is a movement to higher quality buildings with more desirable locations.

Vacancy of Calgary’s Beltline Office Leasing Market in Quarter 1 remained relatively flat. Positive absorption of approximately 70,000 square feet provided an overall decrease in vacancy of 1.3%, from 25.5% to 24.2%. The strongest demand continues to be in Class A category due to continued flight to quality, while Class B products remain in a state of flux.

Office building to residential conversions have slowed down due to the exhaustion of government funding. However, we anticipate a resurgence in this activity due to residential demand and another influx of government funding.

With other major markets reporting a lack of real estate supply in all sectors, Calgary anticipates investment opportunities and positive growth in all sectors for the upcoming quarters.

## NOTABLE SUBURBAN OFFICE LEASE TRANSACTIONS

TENANT	SF OCCUPIED	BUILDING NAME/ADDRESS	LEASE TYPE
Smart Technologies	80,000	Eleventh Avenue Place	Headlease
Kiewit Energy	69,000	Southland Park II	Headlease
Gas Liquids Engineering	59,000	2735 39 Ave NE	Headlease
Foothills PCN	30,000	Uxborough Medical	Headlease

Source: CoStar



# MULTI-FAMILY MARKET OVERVIEW

Last year ended with Alberta seeing the largest annual increase in migration ever recorded, with a surge in population of 202,324 residents, according to Statistics Canada, resulting in a total provincial population of 4.8 million.

In consideration of Alberta’s strong economy, combined with the equivalent of 550 people a day moving to Alberta, Canada Mortgage and Housing Corporation (CMHC) noted the overall vacancy rate for purpose-built rental apartments declined from 2.7% to 1.4% in 2023, as supply struggled to keep up with demand, marking the lowest vacancy rate seen in the past 10 years.

Calgary saw the addition of 3,010 purpose-built rental units last year – an increase of 6.2% to the inventory pool. The average per-square-foot rental rates in purpose-built units have increased up to \$2.89., while the average per-square-foot rents increased by 11.1% year-over-year and were the second highest on record. Meanwhile, the average two-bedroom condominium apartment rent rose to an average of \$1,819/month, an increase of 14.3% year over year – the highest growth seen in Canada since 2007.

The Calgary market continues to be well supplied in this area, with eight projects launched in the final quarter of 2023 and a potential 6,238 units to be introduced to the market in the first half of this year. There are currently 143 stabilized projects in Calgary, with 13 actively leasing, for a total of 19,763 units.

The 595 new multi-family home sales recorded in Quarter 4 of 2023 was the second-lowest Q4 sales total on record, and the lowest quarterly volume since Q2-2020. Total condominium sales accounted for nearly two-thirds of the 5,031 year-to-date sales in 2023, which marked the highest yearly sales volume on record.

## AVERAGE RENTS BY UNIT TYPE

Unit Type	Active Concrete	Active Wood Frame	Stabilized Concrete	Stabilized Wood Frame
Studio	-	-	\$1,786	-
1 Bed	\$2,033	\$1,789	\$2,203	\$1,803
1 Bed + Den	\$2,045	\$1,661	\$2,825	\$2,144
2 Bed	\$2,573	\$2,161	\$2,822	\$2,117
2 Bed + Den	-	\$2,059	\$2,548	-
3 Bed	\$3,060	\$2,534	\$3,955	\$2,263

## VACANCY VS. NET RENTS



We are geared to handle all our clients' needs under one roof. We specialize in buying, selling and leasing of Commercial Real Estate as well as Property Management, Consulting and Group Investment.

Our goal is to provide a collaborative personalized approach with our clients in creating superior real estate solutions. We offer a unique project-driven approach to the industry which encourages a more long-term strategy than just simply buying, selling, or leasing a property. By doing so, we are able to offer more value to our clients.

## Our Brokerage **ABOUT US**

### ***NAI Advent is a full service commercial real estate firm located in Calgary Alberta Canada***

We are locally owned and operated yet we have the advantage of being part of one of the largest commercial real estate networks in the world: NAI Global. NAI Global offices are leaders in their local markets and work in unison to provide clients with exceptional solutions to their commercial real estate needs. NAI Global has more than 400 offices strategically located throughout North America, Latin America, Europe, Africa and Asia Pacific, with over 7,000 local market professionals, managing in excess of 425 million square feet of property. Annually, NAI Global completes in excess of \$20 billion in commercial real estate transactions throughout the world.

Our membership in NAI Global keeps our firm on the leading edge of the industry, while allowing us to maintain our local ownership and hometown loyalty. We benefit from the resources of a "corporate office" and hundreds of affiliated account executives worldwide without getting bogged down in bureaucracy. This arrangement makes it possible for us to take advantage of the best resources NAI has to offer and integrate them into a market-specific, and even client-specific approach.

NAI Advent is a progressive full service commercial real estate brokerage serving our five-county area, providing our brokers and their clients with a quality and quantity of services unmatched by our competitors. With our broad based list of specialists in house, we offer a unique project driven approach to real estate which encourages a more strategic and long term strategy than just simply buying, selling, or leasing a property. By doing so, we are able to offer more value-add to most types of commercial real estate.



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## OUR SALES TEAM

NAI Advent offers peace of mind that comes from knowing your real estate needs are in capable hands. We take a unique project-driven approach to commercial and industrial real estate which encourages a more strategic and comprehensive focus than just buying, selling or leasing. Our knowledgeable professionals offer extensive experience in their disciplines and a proven track record of successful commercial real estate projects.



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## PROPERTY & ASSET MANAGEMENT

NAI Advent actively manages properties for both investors and owner occupiers to help enhance investment returns. Our wide range of property management capabilities extends to all types of properties, from office, to industrial, to retail facilities. In all instances, our day to day focus ensures properties are managed with quality care and attention to detail and in lock-step with our leasing team to ensure value is maximized whenever possible.



Our services include:

- Financial Management
  - Full accounts receivable and account payable accounting
  - Comprehensive monthly Property Management reports
  - Banking; Monthly financial statements and analysis
  - Annual Budgeting; Financial reporting
  - Annual Operations cost reconciliations
- Property Management Services
- Renewals and Leasing Service
- Owner/Client Liaison



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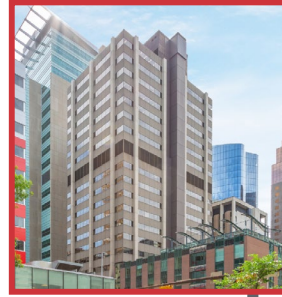
## FEATURED LISTINGS

### 4412 9 STREET SE E42 GARAGES



Element 42, a centrally located premium private garage & storage facility (quality man-caves) located less than 10 minutes from Downtown Calgary at 4412-9th Street SE (directly across from the former ACE Casino Blackfoot location). **Contact Kaile Landry or Jennifer Myles for more details.**

### 633 6 AVENUE SW FORD TOWER



Ford Tower is a 20 storey, high quality office building with approximately 150,000 square feet of office, located centrally in Calgary's downtown core and directly adjacent to the Court House. Surrounded by an abundance of amenities and easy access to the +15 system. **3 floors already leased**  
**Contact Rick Wong for more details.**

### 2023 2 AVENUE SE



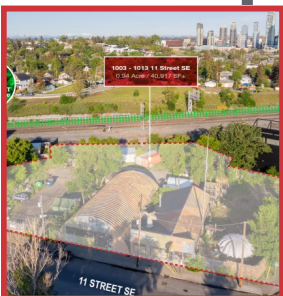
Centrally located with quick access to Downtown, Deerfoot Trail, Memorial Drive and Barlow Trail - as well as many other amenities. Recent renovations include: new T-5 lighting in warehouse, new paint throughout the entire unit, new LVP flooring throughout office showroom area.  
**Contact Connor West or Aaron Gunn for more details.**

### 8716 48 STREET SE



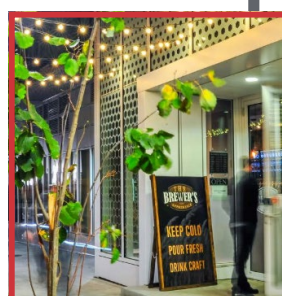
Large acreage with heavy compacted yard. Main building is equipped with LED lights, 5 office spaces, 1 lunchroom, 2 washrooms, 1 boardroom, data room and 1 shop office. Corner site with three access points in the bustling South Foothills industrial area. **Contact Aaron Gunn or Tyler Guluche for more details.**

### 1003-1013 11 STREET SE



Nestled in the heart of Inglewood, Calgary, this prime redevelopment site presents an exceptional opportunity for investors and developers to create a sophisticated and modern project that would seamlessly blend urban convenience with a touch of community charm.  
**Contact Harvey Russell for more details.**

### 448 8 AVENUE SE



The N3 Building was the first condominium project in Calgary to be built without vehicle parking to allow walking, transit and cycling dominate pedestrian travel in the area. This mixed use building features retail on the main floor and 167 residential units above.  
**Agressively Priced. Contact Blair Best for more details.**

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# Sources

- Costar
- Zonda Urban
- Government of Alberta
- ATB Economics
- TD Economics
- Deloitte
- RBC Economics

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