

The Occupier

Q1 2025 Suburban Office Market



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Market Overview

Suburban Supply
23,292,063 sf

Suburban Vacancy Rate
15.18%

Overall Suburban Vacancy
3,535,568 sf

Quarterly Absorption
-503,007 sf

The Suburban Office Market experienced strong absorption in Q1 to kick off the year. The vacancy rate dropped by 84 basis points to 15.18% on the strength of a number of significant leasing transactions. Transactions in the Airstate portfolio and Quarry Park in the SE and Connect First Place in the NE were the most noteworthy. This leasing activity substantially and positively changed the narrative in what had been an essentially flat market for the last 16 quarters. Renewals driven by expiring subleases also contributed to the positive absorption achieved in the quarter.

Notably, most of the larger transactions were well under way by Year End 2024 and completed early in the quarter. Leasing activity slowed significantly in the latter half of Q1 in the face of considerable uncertainty and unease surrounding the economic policies of the incoming US administration under President Trump, principally the threat of and the actual implementation of tariffs on Canadian exports to the USA. The tariffs will be a major economic concern through 2025 and the effects on office leasing will be a major theme to track for the balance of the year.

As the quarter came to an end, Canada was thrown into a federal election that will be

consequential for the energy sector, Alberta economy, and sector related office leasing. Policies seen as friendly to the energy sector could positively stimulate leasing activity contributing to a continuation of the positive results achieved in Q1. Conversely, policies negative to the sector, combined with tariff uncertainty could result in a chilling of leasing activity.

Election Impact - Tariff Impact

The energy sector, the engine that drives the Calgary office markets is eagerly anticipating the outcome of the federal election and what resultant policies may be enacted or repealed by either a Conservative or Liberal government. It also awaits the settling in of effects of the escalating, continuing tariff agenda of the US President.

Nonetheless, oil pricing remains strong, the Trans Mountain Pipeline is complete, major Canadian players are announcing significant capex budgets and those budgets may lead to aggressive acquisition activity in the coming months. The energy sector is vital to the economies of the country, the province, and the local office markets, and the election and tariffs will impact office leasing for several quarters, if not years to come.

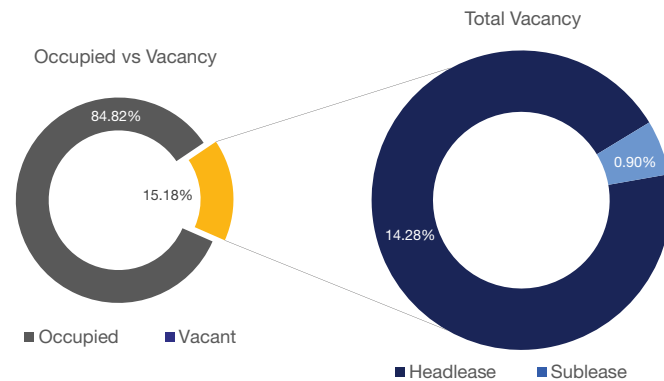
Calgary Suburban Notable Lease Transactions

Tenant	Building	Submarket	Area (sf)	Type
Hopewell Developments	20/20	Southwest	47,000	Renewal
Calgary Quest Children's Society	3030 - 2 Avenue SE	Southeast	24,000	Headlease
Wee Wild Ones	3355 - 114 Avenue SE	Southeast	24,000	Headlease
Genesis Land	333 - 96 Avenue NE	Northeast	23,000	Headlease
360 Engineering & Environmental	Airstate Centre	Southeast	23,000	Headlease
Excel Homes	Quarry Park West	Southeast	23,000	Headlease

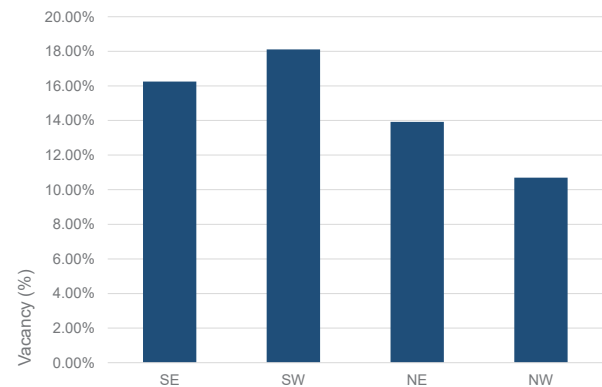
Q1 2025 Vacancy Summary

QUADRANT	TOTAL INVENTORY (sf)	HEADLEASE (sf) (%)	SUBLEASE (sf) (%)	TOTAL (sf) (%)
Southeast	8,494,575	1,315,127 15.48%	65,240 0.77%	1,380,367 16.25%
Southwest	4,659,235	826,583 17.74%	17,347 0.37%	843,930 18.11%
Northeast	7,044,794	903,200 12.82%	77,171 1.10%	980,371 13.92%
Northwest	3,093,459	281,598 9.10%	49,302 1.59%	330,900 10.70%
Total Suburban	23,292,063	3,326,508 14.28%	209,060 0.90%	3,535,568 15.18%

Breakdown of Vacancy: Headlease vs Sublease



Suburban Office Vacancy



Large Blocks of Contiguous Space

New Developments not included

BUILDING NAME	BUILDING ADDRESS	FLOOR	AREA (sf)	LEASE TYPE
1020 - 68 Avenue NE	North East	1	148,372	Headlease
Sundance 1000	South East	1-4	141,207	Headlease
Heritage Square	South East	4	65,532	Headlease
205 Quarry Park Blvd. SE	South East	1	56,180	Headlease
205 Quarry Park Blvd. SE	South East	4	54,786	Headlease
Westmount Corporate Campus - 4820	South West	4-5	54,164	Headlease
Heritage Square	South East	5	49,907	Headlease
Manchester Office Park - Bldg II (South)	South West	1-2	48,667	Headlease
Vista Heights Office Complex - Bldg A	North East	3	47,517	Headlease
Deerfoot Junction II	North East	1-3	47,048	Headlease
Heritage Square	South East	2	46,444	Headlease
3030 Building	South East	2-3	40,107	Headlease
1120 - 68 Avenue NE	North East	1-2	39,646	Headlease
Vista Heights Office Complex - Bldg A	North East	2	39,338	Headlease
3710 - 33 Street NW	North West	1-2	37,598	Sublease
West Canadian Graphics Building	South East	1-2	37,226	Headlease
Westmount Corporate Campus - 4838	South West	1-2	36,027	Headlease
Sundance Place	South East	4	33,894	Headlease
Quarry Central	South East	3	31,534	Headlease
Cardel Building at Quarry Park	South East	3	31,344	Headlease
Southland Tower	South West	6-7	30,021	Headlease

Q2 2025 Outlook

As we enter Q2, we expect “some” continuation of notable transactions being completed as favorable supply conditions create a relatively competitive landscape for well positioned tenants. The question will be, how strong and how long is the demand for these large pockets? Cresa’s forecasts remains unchanged, projecting slight and slow positive absorption and declining vacancy throughout the year.

On the positive side, strong Q1 production results for major Canadian producers like MEG Energy, Canadian Natural and Tourmaline will bolster greater overall market confidence and keep leasing velocity moving forward. Furthermore, the start-up of the LNG Canada facility on the West Coast will open up export markets other than the USA for Canadian LNG.

On the cautionary side, if and until the environmental regulatory process is streamlined and fast tracked more badly needed projects will be delayed or continue to be mothballed and that will dampen potential office leasing velocity. It may also dampen

the appetite for Capital Investment in the Office Sector in general. A February study of the Canadian lending industry reflected that Canadian Real Estate Lenders are “10 times more likely” to decrease their lending in the office class versus either of retail, or industrial sectors in 2025. The resulting continued disconnect in buyer and seller expectations in the office sector continues to dampen overall investment activity and remains a persistent challenge for 2025.

The ½ year mark may provide enough settling of some of the economic uncertainties to understand better what to expect for the balance of the year. At this juncture, Cresa’s forecasts remains unchanged, projecting slight and slow positive absorption and declining vacancy throughout the year for the suburban Calgary office market.

To learn more about optimizing your office requirements in 2025, please contact our Cresa Calgary team of tenant advisors for a tailored leasing strategy.

20/20

Hopewell Development renews in 2020 Fourth Street SW

Hopewell Development has renewed its lease in 20/20 located in Calgary’s trendy Mission District, reaffirming its commitment to one of the city’s most vibrant and walkable communities. The renewal underscores the company’s long-term investment in the area, known for its mix of boutique retail, restaurants, and proximity to the downtown core.



Photo Credit: CoStar Group

CONTACT INFORMATION

TRANSACTION MANAGEMENT ADVISORY TEAM, CALGARY

Nicole Bennett

403.585.7959
nbennett@cresa.com

Austin Leclerc

403.690.2001
aleclerc@cresa.com

Conor Payne

403.816.1676
cpayne@cresa.com

Damon Harmon, CPA, CGA

403.875.3133
dharmon@cresa.com

Robert MacDougall

403.542.4745
rmacdougall@cresa.com

Kendra Pinder

403.680.8085
kpinder@cresa.com

Brett Koroluk

403.617.1379
bkoroluk@cresa.com

David Miles

403.809.5859
dmiles@cresa.com

PROJECT MANAGEMENT ADVISORY TEAM

Janet Hewitt

403.589.7719
jhewitt@cresa.com

Cresa

324 - 8 Avenue SW, Suite 1550 | Calgary, AB T2P 2Z2
main 403.571.8080

cresa.com

10020 - 101A Avenue, Suite 1980 | Edmonton, AB T5J 3G2
main 780.900.8781

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Thinking
strategically.
Acting
objectively.

