

# Increased sublease space continues to drive lower occupancy

▼ 29.9%  
Vacancy Rate

▲ -83K  
SF Net Absorption

▲ 2.3M  
SF Sublease Vacancy

▲ \$17.52  
PSF Net Asking Rent

Note: Arrows indicate change from previous quarter.

## MARKET SUMMARY

- The downtown office market recorded its fifth consecutive quarter of negative net absorption, but vacancy declined by 50 basis points (bps) as inventory was removed for conversions.
- Sublease space continues to rise, reaching 2.3 million sq. ft. as mergers and acquisitions (M&A) in the energy sector, and a few large tenants right-sizing their space, have led to the highest amount of available sublease space since Q1 2023.
- Geopolitical conflict has led to a sharp rise in oil prices and will have a positive effect on earnings for the energy industry; however, it is unlikely to cause any notable increase in office demand amongst Calgary’s oil tenants.
- High-quality space continues to see the highest demand, with Class AA inventory recording 143,000 sq. ft. of net absorption in Q1 2026. Upgraded Class A and Class B buildings with recently completed modernization projects including the addition of amenities continue to outperform their peers.

FIGURE 1: Downtown Office Market Fundamentals



Source: CBRE Research, Q1 2026.

## Market fundamentals

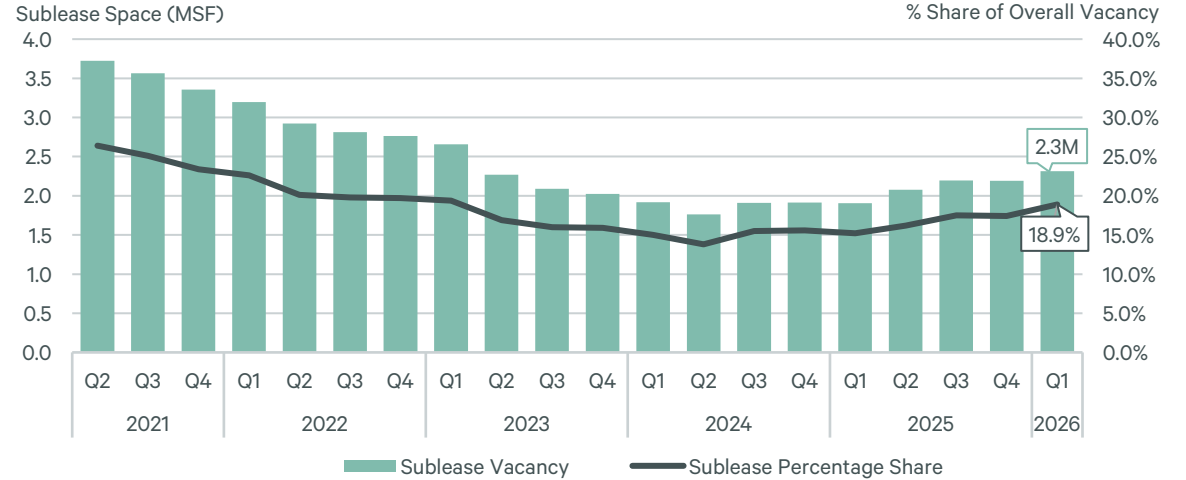
2026 started with another quarter of negative net absorption, as the downtown office market saw negative 83,000 sq. ft. of net absorption. This marks the fifth consecutive quarter of negative net absorption since the beginning of 2025. Q1 2026 saw trends similar to the past two years, with M&A in the energy sector and a few larger tenants right sizing their space to current employment levels, driving an increase in space on the sublease market.

Total available sublease space increased by 5.6% overall in the quarter and has grown by 21.3% year-over-year. Most notable this quarter was the additional sublease space at Plains Midstream Plaza which came to market in anticipation of Keyera’s acquisition of Plains’ Canadian NGL business; however, this loss of occupancy was largely offset by Keyera’s new lease transaction in Suncor Energy Centre, which closed at the end of Q4 2025 and expanded Keyera’s footprint. A few additional M&A transactions are likely to add additional space to the sublease market in the coming quarters, the most notable being Ovintiv’s acquisition of NuVista Energy.

## Vacancy rate and conversions

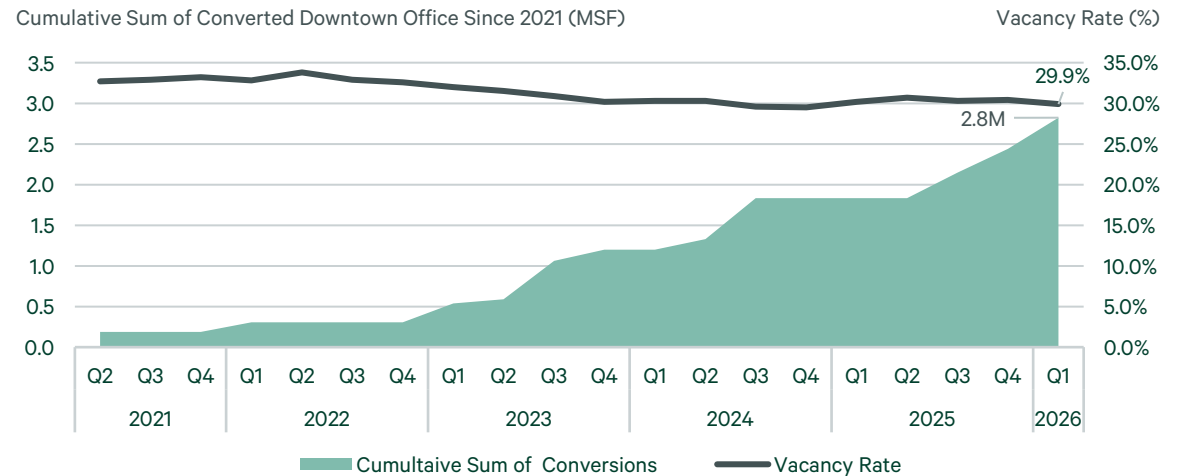
Vacancy rates decreased by 50 bps to 29.9% as the reduced occupancy was offset by the removal of buildings from inventory for conversions. Since the beginning of 2021, 3.6 million sq. ft. of office space has been removed from inventory for conversion, with 2.8 million sq. ft. located in the downtown core. If none of these downtown buildings had been removed from inventory, and occupancy levels remained the same, downtown Calgary’s vacancy rate would currently sit at 34.4%. Calgary remains the leader in Canada for conversion activity, with the city’s conversions representing 38.8% of all inventory removed by total sq. ft. nationally since 2021. A few additional buildings are expected to be removed for conversion in 2026, though these are smaller buildings and will have only a marginal impact on vacancy rates.

FIGURE 2: Downtown Historical Sublease Vacancy



Source: CBRE Research, Q1 2026.

FIGURE 3: Downtown Office Conversions Vs. Vacancy Rates



Source: CBRE Research, Q1 2026.

## Amenitized and upgraded buildings outperform

As return-to-office mandates continue to come into effect and are more heavily enforced, tenants continue to seek out space in buildings with modernized common areas and comprehensive amenity offerings. Recent examples of these properties include 635 8 Avenue SW and Suncor Energy Centre, in which both ownership groups invested in upgrades for the buildings and both now nearly fully leased. However, the growing number of buildings with these qualities has created a very competitive environment with various options available to tenants and some buildings still struggle to generate interest even after completing modernization projects. For example, Stephen Avenue Place is set to be sold in the coming days, pending final court approval, after entering receivership for the second time, after struggling with chronically high vacancy.

## Energy industry and office demand

Q1 2026 saw massive volatility in the oil markets between the geopolitical situation in Venezuela and the ongoing situation in Iran. The currently high prices due to the situation in Iran are likely to increase profits for Calgary’s oil tenants for the duration of the conflict but are unlikely to increase demand for office space. Calgary’s oil companies’ 2026 budgets have largely called for only marginal increases to production, with excess cash being used to pay down debt, buyback shares, or pay dividends, with little being allocated to future production growth. As energy companies continue to consolidate, adapt better technology, and become more efficient, and as capital investment in new production has remained low, office demand from these users has largely shrunk. Significant expansion in production, which could spur office demand, remains largely constrained by existing infrastructure, namely, existing pipeline capacity. Trans Mountain Canada, which renewed its lease deal in Q1 2026 and expanded its office footprint, is currently looking to implement efficiency upgrades on the Trans Mountain Pipeline, which would increase capacity by approximately 300,000-400,000 barrels per day.

FIGURE 4: Quarterly Net Absorption by Building Class (000's SF)



Source: CBRE Research, Q1 2026.

FIGURE 5: Notable Q1 2026 Transactions

Tenant	Building	Size (SF)
Trans Mountain Canada	Stock Exchange Tower	130,000
Orlen Upstream Canada	Bankers Court	22,000
Trafigura	400 Third	21,000
Tetra Tech	First Canadian Centre	19,000
CDE Engineering	Western Canadian Place - North	18,000

Source: CBRE Research, Q1 2026.

FIGURE 6: Notable Office Building Conversions Under Construction or Planned

Building Name	Size (SF)	Status
Palliser One	400,000	Under Construction
640 Fifth	250,000	Under Construction
Hanover Building	217,000	Under Construction
Atrium I/II	206,000	Under Construction
800 Sixth	205,000	Under Construction
606 Fourth	123,000	Under Construction
Five Ten Fifth	109,000	Under Construction
Barron Building	100,000	Under Construction
Taylor Building	64,000	Under Construction
1000 8 Avenue SW	45,000	Under Construction

Source: CBRE Research, Q1 2026.

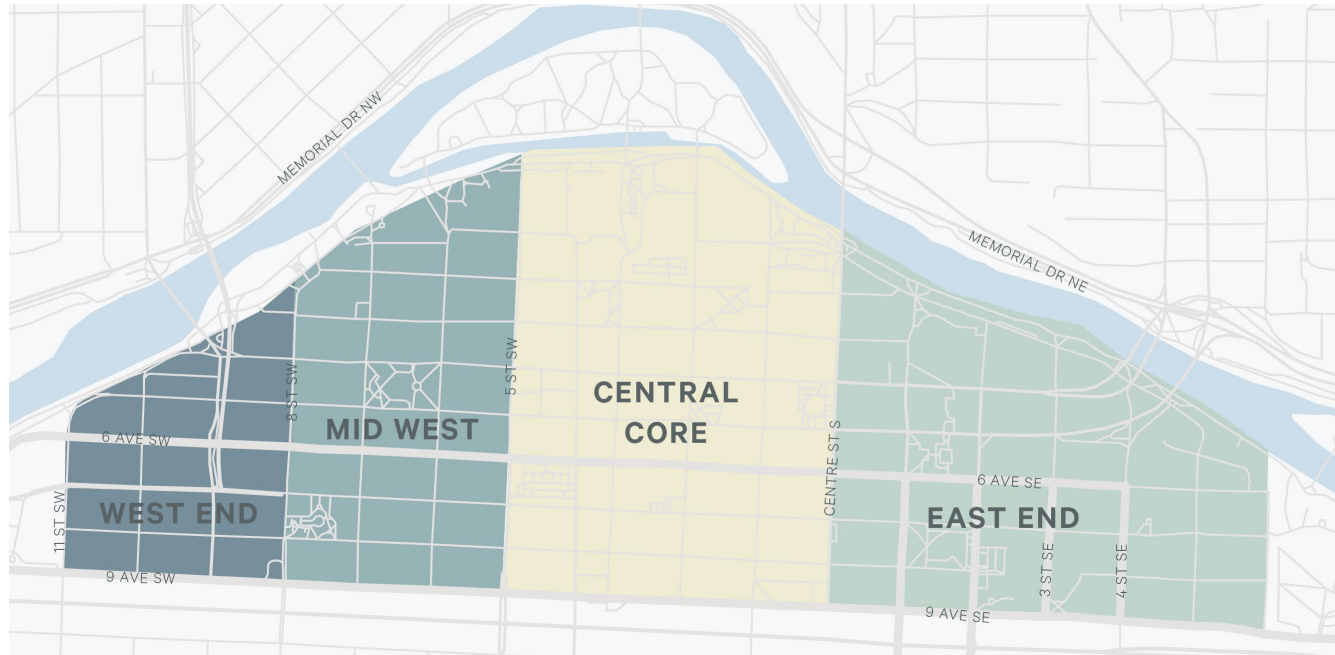
FIGURE 7: Downtown Office Market Fundamentals

Submarket	Building Class	Inventory (SF)	Vacant Space (SF)	Vacancy Rate (%)	Net Absorption (SF)	YTD Net Absorption (SF)	Sublease Vacancy (SF)	Under Construction (SF)
Central Core	AA	14,086,596	2,582,731	18.3%	196,665	196,665	574,660	0
	A	10,450,077	3,267,200	31.3%	-107,273	-107,273	445,057	0
	B	2,656,557	1,037,860	39.1%	19,849	19,849	15,126	0
	C	969,182	271,269	28.0%	-22,877	-22,877	0	0
<b>Central Core Total</b>		<b>28,162,412</b>	<b>7,159,060</b>	<b>25.4%</b>	<b>86,364</b>	<b>86,364</b>	<b>1,034,843</b>	<b>0</b>
Mid-West Core	AA	1,161,605	351,697	30.3%	12,500	12,500	275,398	0
	A	2,213,410	1,161,066	52.5%	11,935	11,935	549,307	0
	B	3,540,829	1,538,345	43.4%	-86,763	-86,763	30,764	0
	C	1,596,575	760,438	47.6%	-33,034	-33,034	11,774	0
<b>Mid-West Core Total</b>		<b>8,512,419</b>	<b>3,811,546</b>	<b>44.8%</b>	<b>-95,362</b>	<b>-95,362</b>	<b>867,243</b>	<b>0</b>
West End	A	146,343	16,397	11.2%	-8,242	-8,242	0	0
	B	413,000	47,942	11.6%	11,911	11,911	15,359	0
	C	500,451	153,039	30.6%	1,588	1,588	0	0
<b>West End Total</b>		<b>1,059,794</b>	<b>217,378</b>	<b>20.5%</b>	<b>5,257</b>	<b>5,257</b>	<b>15,359</b>	<b>0</b>
East End	AA	1,900,000	337,521	17.8%	-66,396	-66,396	337,521	0
	B	1,162,468	543,788	46.8%	-13,125	-13,125	53,143	0
	C	294,176	200,299	68.1%	0	0	5,413	0
<b>East End Total</b>		<b>3,356,644</b>	<b>1,081,608</b>	<b>32.2%</b>	<b>-79,521</b>	<b>-79,521</b>	<b>396,077</b>	<b>0</b>
<b>Downtown Total</b>		<b>41,091,269</b>	<b>12,269,592</b>	<b>29.9%</b>	<b>-83,262</b>	<b>-83,262</b>	<b>2,313,522</b>	<b>0</b>

Disclaimer: In Q1 2026, CBRE Calgary has reclassified the building class of certain properties to better reflect their current status and characteristics. These changes were made based on updated criteria and assessments. Please note that this reclassification may affect the comparative analysis and historical data presented in this report.

Source: CBRE Research, Q1 2026.

## Market Area Overview



## Contacts

### Lane Burton

Research Manager  
 +1 403 750 0509  
 lane.burton@cbre.com

## Definitions

- Inventory (SF):** The total office area (sq. ft.) of competitive building(s) in the market.
- Overall Vacancy Rate:** Total Vacant Space divided by inventory. Calculated as a percent.
- Vacant Space (SF):** The sum of Direct and Sublet Space that can be immediately occupied, typically including up to 180 days following quarter close.
- Headlease Vacancy (SF):** Space offered for lease directly by the building owner or landlord.
- Sublease Vacancy (SF):** Space offered for lease indirectly by a tenant.
- Net Absorption:** The change in Occupied Space from one quarter to the next as a measure of market activity. Includes Pre-leased space upon delivery as New Supply.
- Occupied Space:** Total inventory of the building(s) not considered vacant.
- Net Asking Lease Rate (\$):** A calculated average of net lease rates, weighted by their corresponding available headlease square footage.
- New Supply:** Space delivered to the market from the completion of newly constructed competitive building(s).
- Under Construction:** The expected total office area of new competitive buildings(s) actively undergoing development.

## CBRE Calgary Office

525 – 8th Avenue SW, Suite 3200  
 Calgary, AB T2P 1G1