

# Downtown market posts first quarter of positive net absorption since Q4 2024

▼ 29.2%  
Vacancy Rate

▲ 115K  
SF Net Absorption

▼ 2.3M  
SF Sublease Vacancy

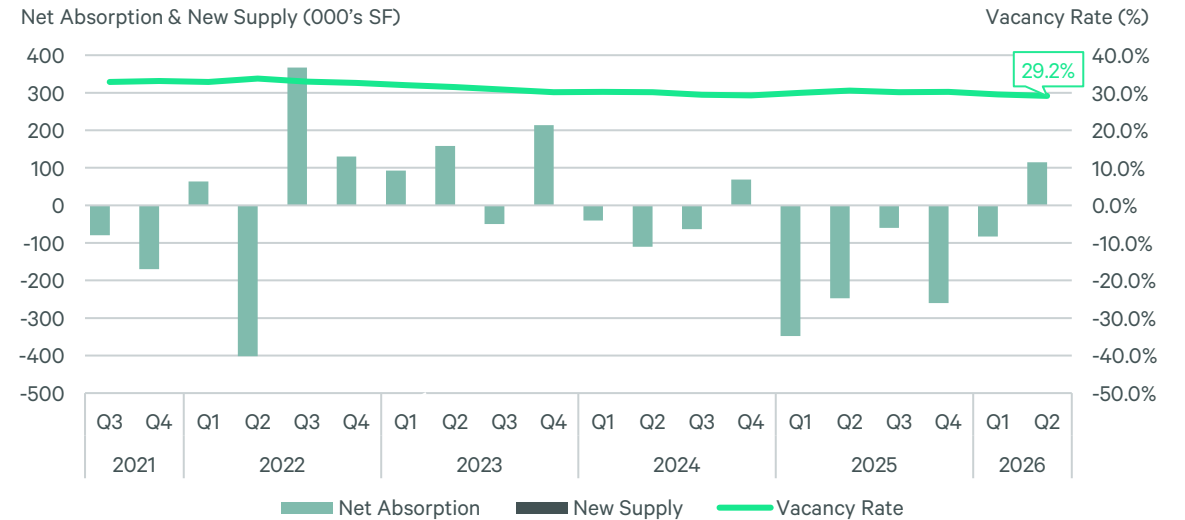
▲ \$17.87  
PSF Net Asking Rent

Note: Arrows indicate change from previous quarter.

## MARKET SUMMARY

- The downtown office market recorded positive net absorption for the first time since Q4 2024, as leasing activity increased marginally, the market avoided any large negative shocks, and sublease space declined.
- Mergers and acquisitions (M&A) in the energy industry continue to be a trend to watch in the downtown Calgary office market. Most notable in Q2 2026 was Shell Canada’s acquisition of ARC Resources, which is likely to return additional space to the sublease market upon the transaction closing.
- The Calgary Downtown Office Conversion program, which offers up to \$75.00 per sq. ft. to convert underutilized office space into alternative uses, is currently accepting new applications until July 27th, 2026. The program remains a vital tool in addressing downtown Calgary’s chronically high vacancy rate.
- Class AA space continues to be the most in-demand space, experiencing 207,000 sq. ft. of net absorption in the first half of 2026. As return-to-office mandates continue to slowly increase, tenants continue to seek out the quality and amenity offerings of these buildings.

FIGURE 1: Downtown Office Market Fundamentals



Source: CBRE Research, Q2 2026.

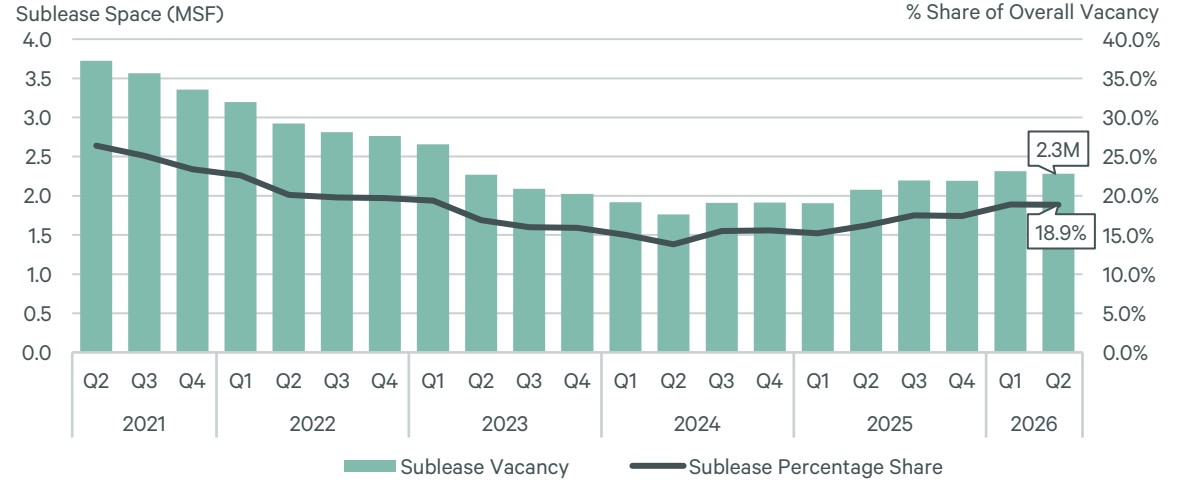
## Market fundamentals

The downtown office market recorded its first quarter of positive net absorption since Q4 2024 due to leasing activity increasing marginally, the market avoiding any large negative shocks, and a major tenant removing approximately 72,000 sq. ft. from the sublease market for its own use. As such, total downtown sublease availability declined by 33,000 sq. ft., with the change also driven by Saturn Oil & Gas subleasing 85,000 sq. ft. from Cenovus Energy at Eau Claire Tower, the largest downtown transaction of the quarter. This sublease space became available in as part of Cenovus Energy’s acquisition of MEG Energy. Vacancy rates fell by 30 basis points (bps) due to the previously mentioned factors, as well as the removal 441 5 Avenue SW for conversion. Any further impact on vacancy due to building conversions is expected to be minimal in the short term, as only 622 5 Avenue SW is still projected to be removed from inventory in 2026.

## Energy industry

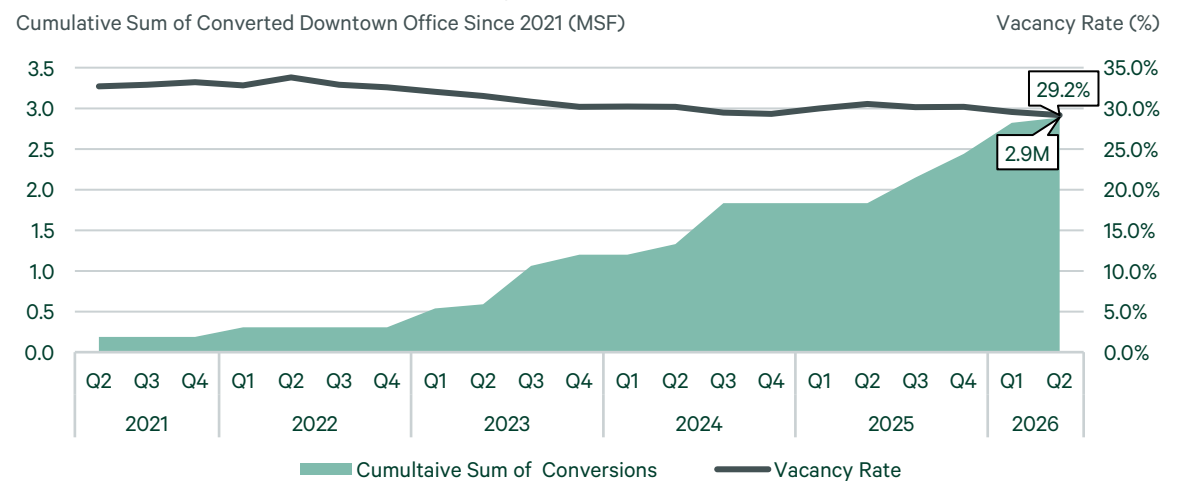
The pace of negative shocks in the market from M&A in the energy sector has slowed as of late, though it remains a point to watch going forward. Most notable in Q2 2026 was Shell Canada’s acquisition of ARC Resources, which will likely return additional space to the sublease market upon the transaction closing. This deal runs counter to a long-running trend in the Calgary energy industry, as it marks one of the few times since 2015 when an internationally based energy company has further increased its exposure to the Canadian energy market. Should other international energy companies also seek an opportunity to increase their investment and exposure in Canada, particularly through organic growth and not acquisition exercises, the downtown office market could experience growth from the expanded requirements.

FIGURE 2: Downtown Historical Sublease Vacancy



Source: CBRE Research, Q2 2026.

FIGURE 3: Downtown Office Conversions Vs. Vacancy Rates



Source: CBRE Research, Q2 2026.

## Downtown Office Conversions Program

The City of Calgary has reopened applications for landlords to receive up to \$75.00 per sq. ft. to convert underutilized office space into alternative uses with a deadline for applications of July 27, 2026. The City has allocated \$25.0 million in incentives for this round of eligibility, which would fund up to 333,000 sq. ft. of office space, provided all projects receive the full maximum of \$75.00 per sq. ft. The program has been expanded to accept applications for a wider variety of uses, including life sciences, student housing, senior housing, co-living spaces, educational institutions, and cultural spaces.

The City remains committed to its goal to provide incentives to remove 6.0 million sq. ft. of office space by the end of 2031. To date, approximately 2.7 million sq. ft. of office space has been converted or will be converted due to receiving these incentives in the downtown core and the Beltline. Approximately 660,000 sq. ft. of inventory per year from 2027-2031 will need to be removed to achieve the program’s final goal.

## Building Classes

In 2025, the Class AA market experienced 763,000 sq. ft. of negative net absorption and a vacancy rate that increased to 19.8%, due to the impacts of M&A in the energy sector and several larger employers rightsizing their space to new requirements. To date in 2026, this market segment has avoided the effects of these trends and reversed course, experiencing 207,000 sq. ft. of net absorption total over the first half of the year due to a handful of significant transactions and a reduction in sublease space. As return-to-office mandates have increased, the quality and amenity offerings of many Class AA buildings are increasingly sought after in order to incentivize employee attendance. All other building class segments have experienced negative net absorption through the first half of 2026. However, ownership groups which have invested in offering comprehensive financial and non-financial packages as well as adding new amenities and upgrades in their assets have continued to generate stronger leasing demand in their portfolios amongst their peers.

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



Source: CBRE Research, Q2 2026.

FIGURE 5: Notable Q2 2026 Transactions

Tenant	Building	Size (SF)
Saturn Oil and Gas	Eau Claire Tower	85,000
National Bank	Intact Place	28,000
Journey Energy	Penn West Plaza – West	22,000
Acerta Energy Ltd.	Penn West Plaza – East	13,000

Source: CBRE Research, Q2 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

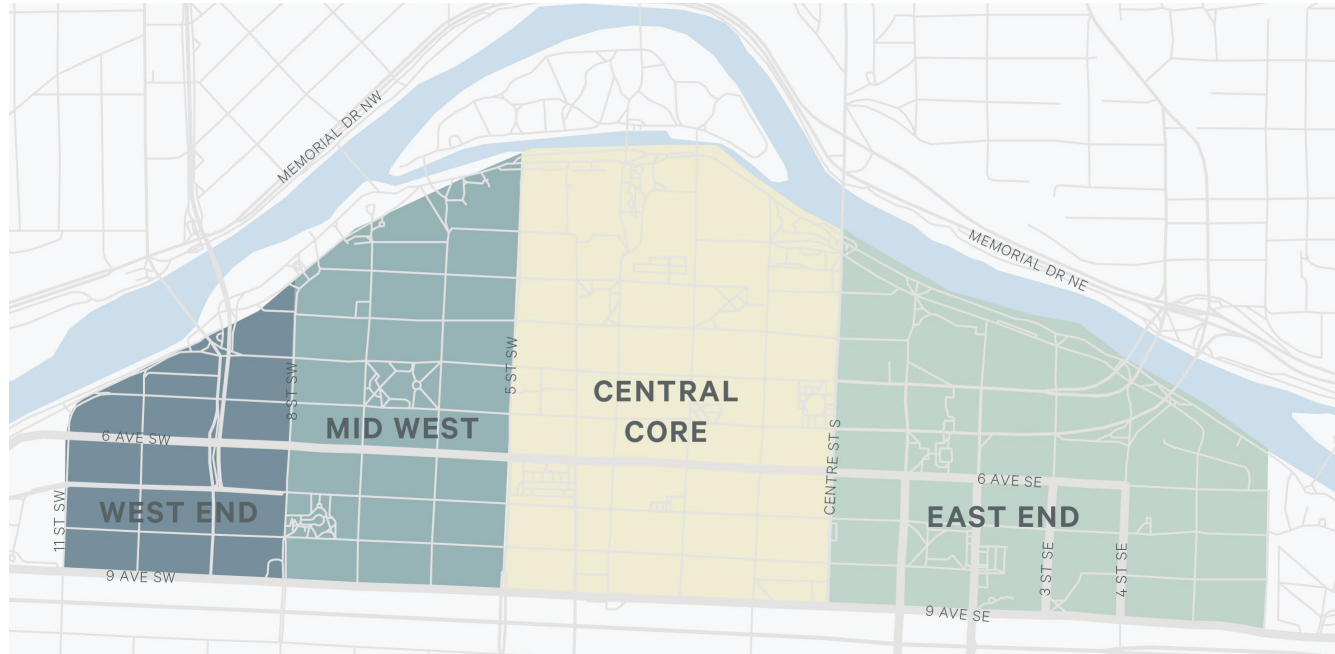
Source: CBRE Research, Q2 2026.

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	14,313,895	2,674,750	18.7%	-92,019	104,646	662,006	0
	A	10,591,841	3,245,843	30.6%	21,357	-85,916	476,553	0
	B	2,646,274	993,347	37.5%	44,513	64,362	13,192	0
	C	902,937	200,591	22.2%	7,563	-15,314	2,615	0
<b>Central Core Total</b>		<b>28,454,947</b>	<b>7,114,531</b>	<b>25.0%</b>	<b>-18,586</b>	<b>67,778</b>	<b>1,154,366</b>	<b>0</b>
Mid-West Core	AA	1,157,463	267,100	23.1%	84,597	97,097	190,801	0
	A	2,213,410	1,174,936	53.1%	-13,870	-1,935	563,177	0
	B	3,540,829	1,540,538	43.5%	-2,193	-88,956	22,899	0
	C	1,596,575	764,674	47.9%	-4,236	-37,270	0	0
<b>Mid-West Core Total</b>		<b>8,508,277</b>	<b>3,747,248</b>	<b>44.0%</b>	<b>64,298</b>	<b>-31,064</b>	<b>776,877</b>	<b>0</b>
West End	A	138,442	20,711	15.0%	-4,314	-12,556	0	0
	B	410,681	59,796	14.6%	-11,854	57	39,423	0
	C	519,632	161,739	31.1%	-8,700	-7,112	0	0
<b>West End Total</b>		<b>1,068,755</b>	<b>242,246</b>	<b>22.7%</b>	<b>-24,868</b>	<b>-19,611</b>	<b>39,423</b>	<b>0</b>
East End	AA	1,900,000	265,445	14.0%	72,076	5,680	265,445	0
	B	1,242,268	526,863	42.4%	16,925	3,800	42,628	0
	C	294,176	195,270	66.4%	5,029	5,029	2,094	0
<b>East End Total</b>		<b>3,436,444</b>	<b>987,578</b>	<b>28.7%</b>	<b>94,030</b>	<b>14,509</b>	<b>310,167</b>	<b>0</b>
<b>Downtown Total</b>		<b>41,468,423</b>	<b>12,091,603</b>	<b>29.2%</b>	<b>114,874</b>	<b>31,612</b>	<b>2,280,833</b>	<b>0</b>

Source: CBRE Research, Q2 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