

Evolving energy industry continues to impact downtown office demand

▲ 30.4%
Vacancy Rate

▼ -260K
SF Net Absorption

▶ 2.2M
SF Sublease Vacancy

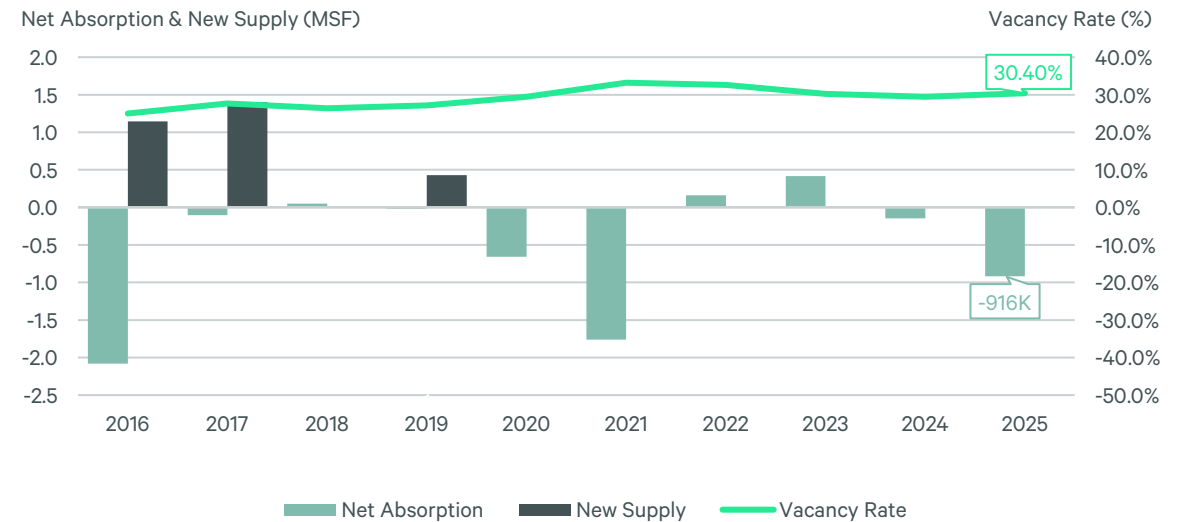
▼ \$17.17
PSF Net Asking Rent

Note: Arrows indicate change from previous quarter.

MARKET SUMMARY

- The downtown office market continues to be troubled by the fallout of M&A transactions in the energy industry, as consolidation and layoffs have led to the third-lowest annual net absorption levels in the past decade. Most notable in Q4 2025 was Cenovus’ acquisition of MEG Energy, which is likely to add additional sublease space to the Class AA market in coming quarters.
- Vacancy rose by 90 basis points (bps) overall in 2025, as lower demand was partially offset by the decline in supply caused by the removal of buildings from inventory for conversions.
- Nine additional conversion projects were announced as part of the Downtown Development Incentive Program in Q4 2025, with six located downtown and three in the Beltline.
- Calgary’s newly elected Mayor and City Council are expected to review the Downtown Development Incentive Program as part of upcoming budget deliberations and decide if more funding is to be allocated or if any changes will be made to the program.
- The Government of Canada and the Province of Alberta announced a [Memorandum of Understanding \(MOU\)](#) regarding Alberta’s energy industry, a move that could boost office demand in the long term, should certain hurdles be cleared.

FIGURE 1: Downtown Office Market Fundamentals



Source: CBRE Research, Q4 2025.

Market fundamentals

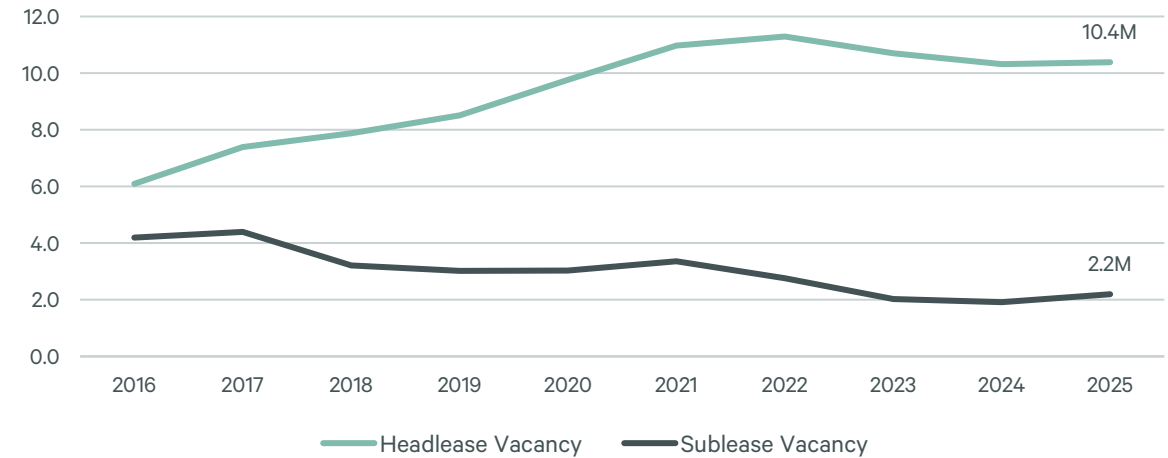
The downtown office market experienced negative 260,000 sq. ft. of net absorption in Q4 2025, bringing the total for 2025 to negative 916,000 sq. ft. This marks the lowest amount of annual net absorption since 2021, and the third lowest over the last decade. Vacancy rose by 90 bps on the year, as losses from lower demand were partially offset by the removal of five downtown buildings from inventory in 2025, which had met CBRE’s criteria for removal due to building conversion.

2025’s downward trend in demand in the downtown office market continues to be driven almost entirely by the evolving energy industry, which saw volatile prices for oil and natural gas, large-scale industry consolidation, and employee layoffs from several of Calgary’s largest tenants.

The most notable consolidation transaction in Q4 2025 was Cenovus’ acquisition of MEG Energy. As MEG occupies over 140,000 sq. ft. at Eau Claire Tower, this is likely another source of sublease availability in the coming quarters. This transaction joins a long list of transactions that caused a significant decline in occupancy in 2025, including CNRL’s acquisition of Chevron’s Canadian Assets, Whitecap Resources’ acquisition of Veren Inc., and several others. This will continue to be a significant challenge in 2026, with the fallout from Keyera’s acquisition of Plains’ Canadian NGL business, Sunoco LP’s acquisition of Parkland Corporation, Cygnet Energy’s acquisition of Kiwetinohk, and Ovintiv’s acquisition of NuVista Energy all being transactions that could return additional space to the sublease market in 2026.

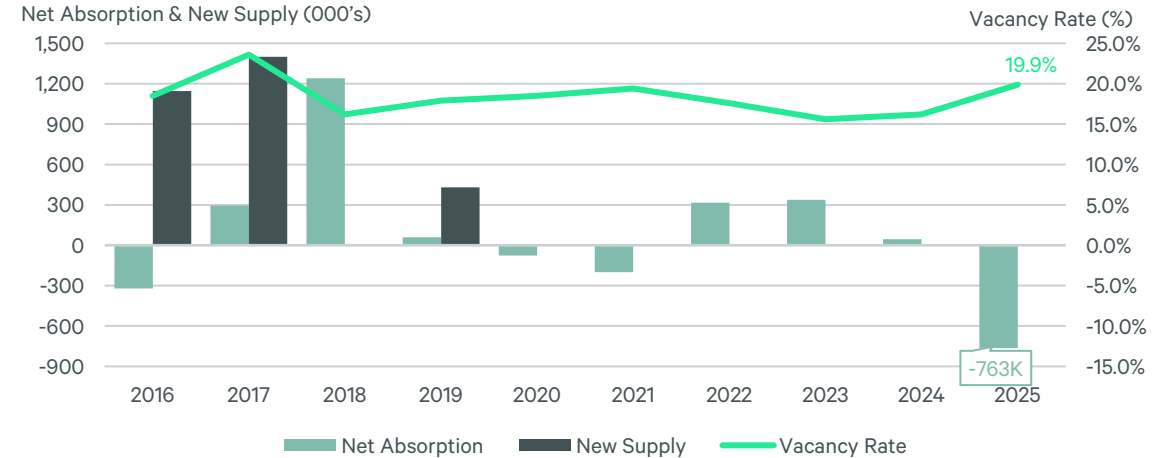
The Class AA market recorded negative 763,000 sq. ft. of net absorption in 2025, the lowest ever recorded, as it was particularly vulnerable to the changing energy industry dynamics and subsequent reduction of office demand. This marks a reversal of fortune for the Class AA market, which had seen a total of 699,000 sq. ft. of net absorption from 2022-2024. Class AA vacancy rose by 370 bps on the year to 19.9%, the highest it has been since Q2 2018.

FIGURE 2: Headlease and Sublease Vacant Space (MSF)



Source: CBRE Research, Q4 2025.

FIGURE 3: Downtown Class AA Leasing Fundamentals
Net Absorption & New Supply (000's)



Source: CBRE Research, Q4 2025.

Changes to energy policy

Q4 2025 saw the Government of Canada and the Government of Alberta reach an [MOU](#) regarding Alberta’s energy industry, which has potentially opened the door for a new oil pipeline to Canada’s West coast. The pipeline would provide a route for at least an additional one million barrels a day of Alberta’s bitumen to the coast of British Columbia, where it would be exported to various markets. This additional export capacity could lead to a significant increase in oil production in the province, leading to additional jobs and an increase in office demand from downtown Calgary’s energy-dominated tenant base, if and when the project is completed. This potential project still faces numerous key hurdles, including collaboration with the Government of British Columbia and First Nations communities, as well as finding a private partner to build and operate the project.

Additionally, a second liquefied natural gas (LNG) export facility was referred to the Major Projects Office (MPO) for fast-tracking this quarter. Ksi Lisims LNG, located in Pearse Island, BC, is anticipated to be Canada’s second-largest LNG export facility upon completion, with a projected capacity of 12 million tonnes of LNG per year. This project, along with LNG Canada Phase II, which was referred to the MPO in September, would significantly enhance Canada’s total LNG production and export capabilities, potentially driving growth among downtown Calgary’s natural gas-focused tenants.

Conversions

Eau Claire Place II and The Hat @ Ninth (Formerly Teck Place) were both completed this quarter, bringing the total number of projects completed under the Downtown Development Incentive Program to eight. Nine additional conversion projects were announced as part of the Downtown Development Incentive Program in Q4 2025, with six located downtown and three in the Beltline. This brings the total amount of projects from the program, either in the pipeline or completed, to 21, plus a few additional projects that exist outside of the program. Calgary’s newly elected Mayor and City Council are expected to review the program as part of upcoming budget deliberations and decide whether more funding is allocated or if any changes will be made to funding going forward.

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



Source: CBRE Research, Q4 2025.

FIGURE 5: Notable Q4 2025 Transactions

Tenant	Building	Size (SF)
Keyera	Suncor Energy Centre – East	210,000
ATB Financial	Suncor Energy Centre – East	130,000
Gibson Energy	Jamieson Place	84,000
Tourmaline Oil	Bow Valley Square III	39,000
AIMCo	Fifth Avenue Place - West	35,000
Invico Capital Corporation	Watermark Tower	15,000

Source: CBRE Research, Q4 2025.

FIGURE 6: Notable Office Building Conversions Under Construction or Planned

Building Name	Size (SF)	Status
Palliser One	400,000	Under Construction
Hanover Building	217,000	Under Construction
Atrium I/II	206,000	Planned
800 Sixth	205,000	Under Construction
Eau Claire Place II	158,000	Complete
606 Fourth	123,000	Under Construction
Teck Place	110,000	Complete
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, Q4 2025.

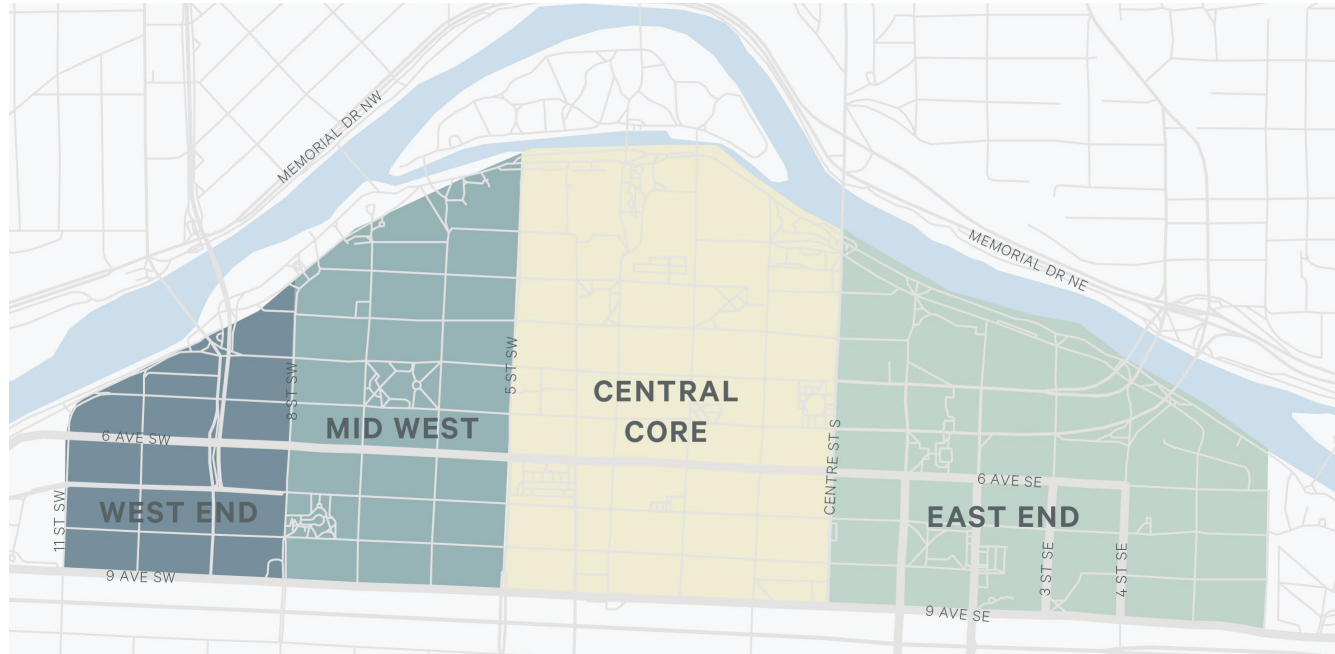
FIGURE 7: Downtown Office Market Fundamentals

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	2,779,396	19.7%	50,651	-520,846	642,601	0
	A	8,867,882	2,659,030	30.0%	105,554	105,857	305,526	0
	B	4,571,386	1,942,680	42.5%	-147,033	-354,554	20,491	0
	C	969,182	248,392	25.6%	-20,024	-13,253	0	0
Central Core Total		28,495,046	7,629,498	26.8%	-10,852	-782,796	968,618	0
Mid-West Core	AA	1,161,605	364,197	31.4%	-140,995	-134,667	287,898	0
	A	2,197,095	1,173,001	53.4%	-46,914	70,791	561,242	0
	B	3,540,829	1,451,582	41.0%	-94,852	-15,160	30,764	0
	C	1,596,575	727,404	45.6%	6,701	34,539	0	0
Mid-West Core Total		8,496,104	3,716,184	43.7%	-276,060	-44,497	879,904	0
West End	A	146,343	8,155	5.6%	-3,192	-3,192	0	0
	B	413,000	59,853	14.5%	0	47,704	6,250	0
	C	500,451	154,627	30.9%	3,798	-18,536	5,460	0
West End Total		1,059,794	222,635	21.0%	606	25,976	11,710	0
East End	AA	1,900,000	271,125	14.3%	35,982	-107,355	271,125	0
	B	1,162,468	530,663	45.6%	-4,510	31,499	53,143	0
	C	294,176	200,299	68.1%	-5,413	-38,485	5,413	0
East End Total		3,356,644	1,002,087	29.9%	26,059	-114,341	329,681	0
Downtown Total		41,407,588	12,570,404	30.4%	-260,247	-915,658	2,189,913	0

Footnote: CBRE Calgary’s methodology for removing buildings from office inventory due to conversion requires the complete relocation of all office tenants to alternative premises and 100% vacancy of the building prior to removal. This approach may differ slightly from methodologies used by other market surveys and as a result inventory and vacancy figures may vary when compared to competitor reports.

Source: CBRE Research, Q4 2025.

Market Area Overview



Contacts

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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.

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