

## Demand rises for older downtown Calgary office buildings

### Vacancy rate declining in Class C office space

BY MARIO TONEGUZZI, CALGARY HERALD APRIL 7, 2014



Tanya Colasurdo, vice president and associate broker with Barclay Street Real Estate Ltd., in front of Eighth Avenue Place in downtown Calgary.

Photograph by: Jenn Pierce, Calgary Herald

CALGARY - Calgary's downtown office market is seeing an increase in the vacancy rate these days but an interesting trend is developing with demand for older buildings also on the rise.

A report by commercial real estate firm Barclay Street Real Estate Ltd. said the overall vacancy rate moved up to 7.0 per cent in the first quarter of this year, a hike of 0.58 per cent from the fourth quarter of 2013.

Class AA office space was up 0.5 per cent to 1.11 per cent while Class A space rose by 1.26 per cent to 7.65 per cent.

However, the downtown market saw Class B space decline by 0.05 per cent to 10.35 per cent and Class C space drop by three per cent to 11.66 per cent.

"We continue to see additional availability in the A and AA class buildings resulting in downward pressure on rental rates and more favourable inducements being offered by landlords," said Tanya Colasurdo, vice-president and associate broker for Barclay Street Real Estate in Calgary.

"The most significant market activity has come from leasing in the C class market. Vacancy has decreased by three per cent quarter over quarter. Some of this may be attributed to a growing number of landlords completing revitalization projects to their properties. With new interiors, building systems and additional improvements, many of these assets are benefiting from a new life."

The average net rental rate for new/Class AA space is \$42 per square foot, according to the Barclay Street report followed by Class A space at \$33, Class B at \$23 and Class C at \$16.

The Barclay Street report said there is about 40 million square feet of downtown office inventory with another 4.5 million square feet under construction. Another 800,000 square feet of office space is awaiting development permit approval and an additional three million square feet has been proposed.

Susan Thompson, business development manager of real estate for Calgary Economic Development, said the B and C class buildings are a small subset of the overall downtown office market in the city.

"It takes a much smaller deal to make an impact when you look at it percentage wise," said Thompson. "But also the types of tenants that are in the B and C class tend to be smaller tenants. Given that the economy is still pretty good in Calgary, if they are growing, those guys will take up more space and they'll stay in the same smaller buildings.

"If you're a smaller business, this will be where you first enter the downtown market . . . It's a good spot to get started and we are seeing growth in small business."

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