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Turning the corner in the downtown Calgary office market?

Published on January 17, 2017



A growing sense of optimism that the worst of the economic downturn had past set in during the fourth quarter of 2016 as there was a number of large, full-floor lease and sublease activity near the end of the year in the Calgary downtown office market, according to a report by Barclay Street Real Estate.

The commercial real estate firm said 2016 came to a close with the vacancy rate at 23.5%, up 1.4% from the third quarter.

"While overall vacancy in the Downtown market increased over the final three months of the year, much of the increase is attributed to vacancy in the nearly-complete 707 Fifth tower, in which 262,000 sf remains unleased and a further 112,000 sf is available for sublease by Brion Energy. In the absence of this new inventory calculation, Downtown absorption was essentially flat," said Barclay Street's year-end report.

"The attractiveness of the Downtown market has steadily increased - for non energy-related companies in particular - as more high-quality, low-cost and often furnished leasing opportunities became available. With the market having become much more accessible and cost-effective, new entrants such as Dominion Diamond Co. are demonstrating interest. In November, the company announced it would move its corporate head office from Yellowknife to Calgary, and it has been suggested that two additional companies have made firm commitments."

In 2016, 2.5 million square feet of office space was returned to the market, causing the vacancy rate in downtown Calgary to increase by 6.2% year-over-year from Q4 2015, said the report. The amount of space available for lease was 9.8 million square feet in an inventory of 41.6 million square feet.

"At the end of 2016 there was an additional 619,000 sf of space being marketed for occupancy from January through June, 2017, which includes the 707 Fifth tower," said the report. "A further 1.03 msf comes available in 7-18 months, which includes the unleased portions of Brookfield Place and TELUS Tower. These developments are scheduled for completion in fourth quarter of 2017 and second quarter of 2018, respectively.

"This shadow vacancy, brings the vacancy rate in Calgary's Downtown to an estimated 26%."