



Stuart Gradon, Calgary Herald Tanya Colasurdo, associate broker with Barclay Street Real Estate, says Calgary's downtown vacancy rate is hovering near 10 per cent, adding the city should be able to accommodate demand in the near term.

More jobs, aging buildings may boost demand for offices

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A report by Barclay Street Real Estate Ltd. says the City of Calgary anticipates that with the current rate of increase in employment, Calgary will require an additional one million square feet of new office space by 2015 and six million square feet by the end of 2020 to accommodate the city's growth and maintain a relatively low vacancy rate.

"The City of Calgary also suggests that Calgary may see its first major demolition and corresponding replacement of office buildings before 2020," says the Barclay Street report. "Approximately half of Calgary's current inventory will be 40 years old by 2020 and 20 per cent will be even older.

"While this is a short period of time compared to the expected service life of the buildings, demolition could occur in the future for reasons including: plans for redevelopment, a lack of suitability for current needs, and a lack of maintenance in nonstructural elements."

In the first quarter of this year, Barclay Street says the overall office vacancy rate in Calgary decreased from 13.5 per cent to 10.6 per cent year-over-year.

The city has close to 60 million square feet of office space.

Tanya Colasurdo, associate broker with Barclay Street, said Calgary is currently hovering just below 10 per cent vacancy downtown, which is the equivalent of about 3.7 million square feet of available inventory.

"As we know, our market can turn on a dime. However, based on current availability, average annual absorption and taking into account the completion of the Bow and Eighth Avenue Place, we should be able to accommodate demand in the near to mid term," she said.

"That being said, if you consider employment estimates through, logic would dictate that downtown Calgary would require additional inventory to accommodate the expansion of our labour market. I believe that global dependence on our natural resources is only growing and that Calgary as well as Alberta will continue to prosper as a result of such demand for many years to come.

"Just about half of the office inventory in downtown Calgary was constructed during the late seventies and early eighties," Colasurdo said.

"Looking out to 2020, these buildings will be 40 years old. I suspect that we will start to see a portion of these buildings demolished and replaced with larger buildings better suited to accommodate the future needs of our workforce in addition to incorporating superior environmental technology."

A City of Calgary finance department briefing note in September 2010 said the city's office market seems to grow in spurts and the largest office construction spurt took place in 1979-1983 when almost 24 million square feet of office space was completed.

"Over the next five years, the Calgary office market should be well served by existing structures and projects that are currently under active development," said the note.

"By 2020, we anticipate that increased employment will drive a need for an additional six million square feet of office space in Calgary. This takes into account possible 'efficiencies' in making office work spaces even smaller than they currently are.

"It is likely that before 2020 Calgary will see some office redevelopment activity occur with at least one older downtown tower being demolished and rebuilt."