

Improving economy lifts office leasing activity

ABSORPTION UP FOR THIRD STRAIGHT QUARTER

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Absorption in the Calgary office market was positive for the third consecutive quarter, according to a report by Barclay Street Real Estate Ltd.

And over the past seven to eight years, a healthy city commercial real estate leasing market has been able to keep up with the millions of square feet in inventory added during the latest construction boom cycle.

The commercial real estate firm said the change in occupied space reached 654,100 square feet in the third quarter of this year and overall citywide annual absorption was a positive 1.72 million square feet.

In 2009, year-to-date absorption for the same period was negative 2.6 million square feet.

"The absorption is a result of three different factors: favourable lease costs which are significantly lower than the peak of 2008 are enticing tenants to

expand; higher oil prices and favourable drilling incentives from the Alberta government are stimulating the economy as a whole; and many tenants are adding employees that were let go in 2009 as a reaction to the world economic recession," said Dan Harmsen, vicepresident and associate broker for Barclay Street Real Estate.

"As there will not be any significant

The total office space in Calgary, which includes downtown, the Beltline and suburban markets, is just under 56.1 million square feet. Of that total space, nearly 6.7 million is vacant.

"Low interest rates, attractive lease rates, and increased growth and activity in the energy sector create favourable conditions for positive absorption," said the Barclay Street report. Between 2003 and 2011, there will have been almost 14.2 million square feet of new office inventory added citywide. This represents a 31 per cent increase in overall office inventory in Calgary.

From 2004 to 2010 year-to-date, there has been just over 9.1 million square feet of absorption.

The downtown office market, with an inventory of nearly 35.9 million square feet, saw a vacancy increase in the third quarter to 12.2 per cent from 12.0 per cent in the previous quarter. Year-to-date downtown absorption is 844,300 square feet.

In the Beltline, with just over six million square feet, the vacancy rate dropped to 13.1 per cent from 14.1 per cent in the previous quarter. Year to-date absorption is 289,200 square feet in that market.

And the suburban office market, with just over 14 million square feet, saw its vacancy rate drop to 12.8 per cent from 14.2 per cent in the second quarter. Absorption so far this year is 590,600 square feet.



Dan Harmsen of Barclay Street Real Estate, says Calgary's office vacancy rates could be "in the single digits by 2012."

office space coming to the market in the immediate to mid-term future, and with the assumption of historical average absorption year-over-year, we will return to a balanced market quicker than anticipated and may have vacancy rates in the single digits by 2012."

Overall office vacancy for the third quarter was 12.7 per cent compared with 12.8 per cent in the second.

