

Office space loosens in Beltline

With nearly a fifth of its space already dark, Calgary's Beltline area saw office take-up go negative by 115,000 square feet in the second quarter of this year, according to a report from Barclay Street Real Estate.

During the second quarter, total available head lease space increased by 112,000 square feet, which brought the total office space available for direct leasing to more than one million square feet, while sublease space increased to 443,000 square feet.

"These conditions continue to heavily favour tenants and we anticipate this will be the case for some time," the Barclay report noted. The agency detected "a diminished sense of urgency among tenants."

The current Beltline office vacancy rate is 19.6 per cent, but it spikes to 24.3 per cent for Class B space, Barclay noted. Class B constitutes half of the Beltline's office inventory. Currently, sublease space - leased offices that have been shoved back onto the market - accounts for 30 per cent of the Beltline office inventory.

"The expectation is that tenant inducements, such as [short-term) free rent, furnished space and improvement allowances, will continue until the economy improves and a sustained demand from tenants begins to erode the large inventory



Mount Royal Village-West is expected to open in Calgary's Beltline next year

of available space," Barclay commented.

A lack of new inventory should keep a cap on the vacancy rate, however.

The only pending development is the Mount Royal Village-West, by First Capital Realty, which is scheduled to complete in 2018, with retail and 30,000 square feet of Class A office space.

Developer Centron Group has halted a separate Beltline project, Place 10 that would have included twin 14-storey office towers, until leasing demand improves.

Barclay does not see any quick Beltline tightening, forecasting that the office vacancy rate will remain in the 19 per cent range through 2018.