

New report claims downtown Calgary office vacancy rate is only 20%



By Adam MacVicar Global News
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A Calgary commercial real estate firm is hoping to take a new approach towards vacant office space, with a new report that claims office vacancy is significantly lower than other analysis on the issue.

In its year-end Downtown Office Market Analysis, Barclay Street Real Estate said the downtown office vacancy rate sits at 20.8 per cent, while 26.1 per cent of office space is available for a lease or sublease.

"The discussion we're having is the wrong discussion about whether it's vacant or whether it's available," Barclay Street Real Estate owner David Wallach said. "We decided to come out and explain to the public the difference between available and with vacant."

It varies from other reports, like CBRE's insight into office space released last week, which shows Calgary's office vacancy rate sitting at 30.2 per cent; down from a record high of 33.7 per cent at the end of 2022.

According to Wallach, Barclay Street's report defines a vacant office space as one that is empty with no lease in place, while an available space is empty but has a lease in place.

"We were painted with one brush. I've heard 30 per cent for the last five years," Wallach said. "There's better opportunities to do a head lease than a sub-lease."

He added that 20 per cent vacancy is in line with downtown office vacancy rates in other large cities across North America.

Scott Hutcheson, executive chair with Aspen Properties, said the analysis adds context to the downtown office space market, separating it from the secondary leasing market.

"I think it's helpful for the lessor, the person, the individual, the entity, the corporation that wants to figure out their next step," Hutcheson said.

The report said the decrease in available downtown office space was propelled by the absorption of close to 395,000 square feet of office space through the fourth quarter of 2023.

It attributes a "substantial portion" of the office activity late in 2023 to tenants making decisions on work-from-home arrangements, much of which Barclay Street's research found took the form of three days in the office and two days of remote work.

"Most organizations were not sure where their office needs would go, what their strategy would be as to work from home, work from



Calgary's once hollow downtown core continues to fill up, with new report indicating office vacancy is lower than previously reported. As Adam MacVicar reports, it's part of a pitch to change the understanding of the city's office space market.

the workplace," Hutcheson said. "2023 the air sort of cleared, and CEOs and boards were able to develop their own strategy of what worked for them."

The report said the city's program aimed at incentivizing office-to-residential conversion project is a "shot in the arm" for the downtown office space market.

The program offers \$75 per square foot to building owners to convert empty office towers into residential apartments.

About 1.4 million square feet of vacant office space is set to be converted across 11 projects in the core, with the first set to open later this year.

"A good downtown means we have to have people living here, working here and staying after hours," Wallach said. "If you look at big cities that are successful, you know there's life after 5 p.m."

Wallach said he expects a slow and steady rebound in downtown office space to continue into 2024.

The report said office space of 10,000 square feet or greater made up the highest concentrations of available options in the downtown core.