

## Calgary suburban office vacancy rate continues to rise

By Troy Media on January 15, 2019

### *Leasing activity was muted as the year drew to a close: Barclay Street Real Estate*

Overall vacancy in Calgary's suburban office market continued to increase in the fourth quarter of 2018, according to analysis by **Barclay Street Real Estate**.

In a report, the company said the vacancy rate rose by 0.1 per cent from the third quarter to finish the year at 19.2 per cent.

"Leasing activity was muted as the year drew to a close and with vacancy remaining steady, rental rates also showed stability among higher quality properties. Landlords of B and C Class properties have become increasingly motivated to complete leases with less resistance to maintain their tenant bases. Speaking to the latter, the rent expectation gap between owners and tenants has narrowed significantly but with the very low rents we've seen during the past 24 months, little room remains for negotiation downward," said the report.

"In response to the significant volume of new inventory brought to market during the past four years, we continue to see a considerable number of Landlords with older or less conveniently-accessible properties moving forward with show-suiting programs in hopes of stimulating competitive activity."

The company said its vacancy calculation takes into account all space available for

occupancy within a six-month period. An additional 172,000 square feet becomes available for occupancy from January through June and within this coming space is the 90,000-square-foot Novatel Building as a result of the company moving to its purpose-built Hexagon Campus.

"At year-end, 60,000 square feet in existing buildings was advertised for lease seven to 18 months out. This shadow vacancy brings the future vacancy rate in Calgary's Suburban markets to an estimated 19.4 per cent," said Barclay Street.

"Distribution between headlease and sublease space for Q4 2018 shifted notably from the previous quarter, with the former accounting for 85 per cent of the total space while the latter decreased to 15 per cent. This change in distribution is less a reflection of positive sublease activity than it is sublease expiries going back to Landlords for direct lease."

The total number of headlease options increased to 553 from 501 in the third quarter while sublease options decreased to 42 from 50.

Barclay Street said 30 per cent of available space was for 2,000 square feet or less.