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Development expected

BY BRUCE JOHNSTONE, THE LEADER-POST JANUARY 14, 2010

STORY PHOTOS (1)



Richard Jankowski (left), Dale Griesser and Don Reddick of Avison Young Commercial Real Estate in Saskatchewan speak to media on Wednesday.

Photograph by: Roy Antal, The Leader-Post, The Leader-Post

Regina should hear an announcement about a new office tower in the next few months because the city has the lowest office vacancy rate in the country and hasn't seen a construction crane downtown in years, according to a major commercial real estate firm.

But the earliest we'll see this long-awaited office building is 2012, which means two more years of tight office space, says Dale Griesser, president of Avison Young Commercial Real Estate in Saskatchewan.

"There is currently no new office building under construction in Regina," Griesser told a news conference Wednesday to release Avison Young's commercial real estate forecast.

"And while we predicted this to occur in the past, finance challenges,

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coupled with rising construction costs and weakened investor confidence, put those plans on hold," he said.

"Any new construction of significance will not be ready for two to three years, which suggests that low vacancy rates are here to stay for some time ... We do, however, expect an announcement of new office buildings in the downtown and the suburban area in the next few months."

Griesser said vacancy rate in top quality Class A office space in Regina is less than one-quarter of one per cent -- the lowest in major Canadian markets -- while lower quality Class B space is less than four per cent vacant.

Of the 3.3 million square feet of "competitive" (non-government) office space in Regina, only 60,000 square feet is vacant and that is "spread out through various blocks of space," Griesser said.

"There is no contiguous available space above 10,000 square feet in the downtown area and about 7,200 (square feet) in the suburban marketplace. This means that any new tenants with large space requirements would become a catalyst for a new office building."

By contrast, Calgary has an overall office vacancy rate of 10 per cent, which is expected to rise to 16 per cent by the end of 2010 and peak at 18 per cent by 2012.

"That means 10 million square feet of space will become available (in Calgary) in the next two years," Griesser said. "Whether this affects the draw of national firms to this city remains to be seen as competition for these groups will become intense."

In the meantime, vacancy rates will remain at historic lows and rental rates will draw premium prices. Class A office space remains in the \$25-per-square-foot range, while Class B space is in the range of \$15-\$17.50 per square foot. New Class A office space will cost \$30 per square foot or higher.

"We see vacancy rates remaining at historic lows, with renewal rates continuing to creep upwards and to peak in 2011 and eventually new office space coming on stream in 2012. And that new space will draw significantly higher rents than the existing inventory."

Richard Jankowski, vice-president of operation for Avison Young, said Regina's commercial real estate market is "an island" of low vacancy in a sea of vacant office space nationally.

"The national office vacancy rate, for example, rose upwards to nine per cent last year and is expected to reach 10 per cent this year. Our vacancy rates are less than two per cent and dropping. In fact, they're lower than one per cent for top-tier space."

Similarly, the vacancy rate for industrial space climbed to 6.3 per cent nationally in 2009, while Regina's industrial vacancy rate was less than two per cent by year-end, Jankowski said.

The global transportation hub (GTH), a 2,000-acre development west of the city, should alleviate pressure on future demand for industrial space, he added.

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