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New office towers seen on horizon

BY LEWIS KELLY, EDMONTON JOURNAL JANUARY 19, 2012

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An increasingly tight office-space market in Edmonton will spark the announcement of two major new buildings this year, according to John Ross, managing director with Avison Young's local office.

"My view is that we'll see one or maybe two new office projects announced, probably toward the end of this year, because the demand is going to be there."

Avison Young released their 2012 predictions for commercial real estate in Canada and the U.S. Wednesday. The forecast predicts office vacancy rates will generally shrink across the 12 Canadian markets Avison tracks. That includes a 1.4-per-cent decline in Edmonton and a two-per-cent de-cline in Calgary.

Edmonton's vacancy rate climbed to 10 per cent in 2011, due in large part to the completion of the Epcor Tower, which added over 500,000 sq. ft. of space to the market.

Avison Young formulates its predictions by comparing past vacancy rates with current economic projections.

The report's modest optimism about Canada contrasted with it more guarded language around the U.S. market. "The United States continues to struggle at the bottom of the cycle and Canada continues to operate in a stable environment," wrote chairman and CEO Mark Rose.

The overall vacancy rate in 2011 for the eight U.S. markets Avison Young tracks - 15 per cent - al-most doubled that of Canada. Avison Young predicts that discrepancy will continue in 2012, due to a middling American economy.

The Edmonton market, said Ross, should absorb around half a million square feet of space this year - the same as it did in 2011, and about double the city's usual appetite.

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By comparison, offices in Calgary, which contains many more corporate offices than Edmonton, filled around 1.75 million sq. ft. of space in 2011.

The increase is credited to a generally robust local economy, led by oil and gas services companies.

Ross said that demand will spur the construction of new Edmonton office buildings, though he did not name specific locations.

He also predicted that the provincial government will eliminate its deficit by 2013 and then look to expand into more office space, further spurring demand in that year. The provincial deficit sits at \$3.1 billion, according to government data.

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