

Regina office market expected to stay 'tight' in 2012

BY BRUCE JOHNSTONE, LEADER-POST JANUARY 20, 2012

Regina Leader Post
daily newspaper
Regina, SK
January 20, 2012



The crane works on Hill Centre Tower III on Thursday. Regina is the tightest major office market in Canada, a title the Queen City looks unlikely to concede any time soon.
Photograph by: Troy Fleece, Leader-Post, Leader-Post

REGINA -- Regina will retain its title as the tightest office market in the country this year with a current vacancy rate of just over one per cent thanks to strong demand and economic activity, according to [Avison Young's 2012 commercial real estate forecast](#).

"Regina continues to have the lowest office vacancy in Canada," said the report, released this week. "Strong economic and population growth in Saskatchewan will help keep the sector tight in 2012."

The Queen City is projected to lead Canada's 13 largest cities with economic growth of four per cent in 2011 and is expected to post average growth of 3.4 per cent from 2012 to 2015. With several large construction projects starting in 2011, the city's building permits reached close to \$550 million for the first time, the report said.

Total office space in the city is about 6.3 million square feet, but the overall office vacancy rate at the end of the third quarter of 2011 was a tight one per cent, the report said.

"Space will continue to be in demand until new office developments totalling 413,000 square feet are completed by 2013," the report said.

As a result, the fourthquarter 2011 class A vacancy rate of 1.2 per cent is not likely to change until new office buildings come on the market, the report added.

"There is an exceptional amount of development on the go in the office sector, which is great news," said Richard Jankowski of Avison Young in Regina. "But it's coming."

Jankowski noted that Hill Centre Tower III - the \$100-million, 20-storey office tower being built by Ledcor Construction for Harvard Developments - is scheduled for completion in mid2012. But the 208,000-square-foot building - the city's first new office tower in 20 years - is fully leased, meaning that the class A office vacancy rate will remain low.

A proposed 16-storey, 440,000-square-foot building slated for the northeast corner of 12th Avenue and Rose Street, which would be the largest office building in the province in terms of floor space, would be a major boost for Regina's office market - if it gets built.

Other projects include a four-storey, 80,000-square-foot office building at 1827 Albert St., currently under construction; a threestorey, 55,000-square-foot medical office building at Pasqua Street and Dewdney Avenue, near the Pasqua Hospital; and a \$60-million, 160,000-square-foot suburban office park at Harbour Landing.

But the latter project, the Harbour Landing Business Park, is being phased in due to concerns by city hall about diverting office development away from the downtown core.

"It's clear that things need to change in Regina," Jankowski said. "We're showing 7.5 per cent vacancy (rate for office space) in Canada and our last (vacancy rate) number here is a blended rate of 1.6 per cent. We really don't have a suburban office area."

Jankowski said suburban office space is ideal for companies in resource, logistics and support services.

"What's driving our economy?" he asked. "It's the development of the resource sector. Do resource sector firms or secondary support services go downtown? I don't think so."

bjohnstone@leaderpost.com

© Copyright (c) The Regina Leader-Post