

Calgary downtown could see more office towers in the future

Strong leasing activity and improved economic conditions

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A very active downtown office leasing market may have developers dusting off plans for additional towers in Calgary's core.

Photograph by: Leah Hennel, Calgary Herald

CALGARY — A strong downtown office leasing market may spark developers to pursue additional projects with the completion of the Bow and Eighth Avenue Place towers.

“If history is an indication of the future with the class AA/A market at 7.09 per cent (vacancy) and decreasing, there very well may be developers downtown dusting off their plans for additional buildings as we head into another tight market for quality product over the next few years,” says a downtown office market report by CresaPartners.

The most likely candidates for new developments are included a second tower at EAP, a smaller office tower as part of the Bow project as well as several other downtown projects.

“It would be surprising to see any of these sites built on speculation given the nervousness that the industry just went through last year, but there are large tenancies in the market that could kick off a new development,” says CresaPartners.

“It will be interesting to see where things head in Calgary over the next 12 to 18 months. Without a new development announced in the class AA/A market, or failing larger merger or acquisition activity, the market should continue to tighten and rates rise.”

The report says vacancy in the AA/A market was 8.23 per cent at the end of 2010.

“Although the fundamentals of the energy sector are not perfect, the downtown leasing environment continues at a torrid pace,” says CresaPartners.

An office market report by [Avison Young](#) in Calgary says tenants have strong confidence to expand and take on additional space due to improved economic conditions and a very positive outlook for energy prices.

“As a sign of renewed confidence in the market, developers are once again evaluating developments that were put on the shelf through the recession,” says Avison Young. “Developers are encouraged by positive economic indicators including employment growth and crude oil prices, and in particular the healthy absorption of quality office space (particularly in the downtown core).

“One of the more exciting developments being discussed in the market is the potential development of the west tower of Eighth Avenue Place. The developer is in discussion with at least one tenant that could result in the second tower starting construction within the next 12 months.”

Susan Thompson, business development manager for real estate for Calgary Economic Development, said unless there is a very hot market like 2006 and 2007, new construction on a downtown office building won't go ahead until there is 60-70 per cent of it committed to tenants.

“Sometimes that is one major tenant. That's all it takes,” said Thompson.

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