

## Calgary office market continent's tightest Vacancy rate for top space lowest among big cities

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Calgary has the lowest vacancy rate and fifth-highest gross rental rate for Class A office space in a survey of central business districts for major metropolitan markets in North America in the second quarter of this year.

"The outlook for the Calgary market remains tremendously positive," says the National Mid-Year Office Report by Avison Young Commercial Real Estate. "Oil and gas continues to drive the local economy and is bringing all the affiliated service and professional industries along for the ride.

"While vacancy has continued its rise, which began in the latter portion of 2007, the rush of sublease space recently coming into the market is slowly being consumed. . . .

"Breathing room is being found in the Calgary office leasing market."

The report says Calgary, Vancouver and Winnipeg had the lowest central business district vacancy rates for major metropolitan markets in North America at 2.2 per cent, 2.5 per cent and 5.2 per cent, respectively.

New York City ranked fourth at 5.6 per cent; followed by Montreal's 5.9 per cent; Bakersfield, Calif., at 6.3 per cent; Raleigh/Durham, N.C., at 6.3 per cent; Toronto's 6.4 per cent; Boise, Idaho's seven per cent; and Bozeman, Mont., at seven per cent round out the top 10.

While not included in the North American study, five additional Canadian cities had vacancy rates as low or even lower than those reported on -- Quebec City, 1.6 per cent; Regina, 3.1 per cent; Ottawa, 3.3 per cent; Halifax, 3.9 per cent; and Edmonton, 4.5 per cent.

A survey of gross rental rates on Class A space across North America placed Toronto third overall and Calgary fifth at \$50.20 US per square foot and \$46.76 US per square foot, respectively. New York City led the top five ranking at \$90.14. San Mateo, Calif., was second at \$52.68 and San Francisco was fourth at \$48.76.

Calgary has benefited from the oil and gas industry and that has had an impact on the downtown office vacancy rate, said Todd Thronson, managing partner in the Calgary office of Avison Young.

"Companies that have been in the oil and gas industry, particularly in the oil industry, have expanded significantly their space requirements over the last several years and there are continuing to be new players coming into the market," he said.

And because the vacancy is low, the rental rates are high, added Thronson.

"You also have companies that are doing, in theory, better than other organizations so they can afford to pay the higher rents," he said. "Rental rates where they are at are predominantly dictated by where the vacancy was."

Calgary has supply challenges in the downtown market, said Richard Pootmans, business development manager of real estate for Calgary Economic Development. It's a symptom of the recent high-growth rates in our city, he said.

"A significant factor contributing to the low downtown vacancy is the long lead times required for major office construction projects," added Pootmans.

In Calgary, the overall office vacancy rose for the fourth consecutive quarter to 2.8 per cent, from 2.4 per cent in the first quarter and 0.9 per cent a year ago. The downtown market had a vacancy rate of 2.2 per cent, up from 1.7 per cent in the first quarter and 0.6 per cent a year ago. The suburban office market has a vacancy rate of 4.5 per cent, up from 2.5 per cent in the first quarter and 1.9 per cent a year ago.

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