

Report points to Calgary's Beltline area as hot spot for office development

BY MARIO TONEGUZZI, CALGARY HERALD APRIL 24, 2009



Condominium towers and other developments under construction in the Beltline.

Photograph by: Dean Bicknell, Calgary Herald, Calgary Herald

Calgary's popular Beltline neighbourhood, just outside the downtown core, is the only area in the city to experience a positive absorption rate in office space so far this year.

A first quarter 2009 report by Avison Young Commercial Real Estate in Calgary said three office buildings are under construction in the Beltline containing more than half a million square feet with 92 per cent of the space pre-leased.

Absorption in the office market refers to the change in occupied space from one period to the next. The Beltline currently has 5.5 million square feet of office space in its inventory.

The Avison Young report said the vacancy rate for the Beltline for the first quarter was 5.6 per cent, up from five per cent in the fourth quarter 2008 and from the three per cent a year ago. Further to that is an additional 2.7 per cent of sublease space available for a combined vacancy of 8.3 per cent in the first quarter.

"The Beltline is the only area of the city with positive absorption year-to-date in 2009," said the report by research manager Susan Thompson. "Total absorption recorded for the quarter was 74,000 square feet. Similar to the downtown market, the Beltline has not recorded negative annual absorption since 2002, which had negative 119,000 square feet of absorption.

"It is estimated that the Beltline will be the exception to the forecasted negative annual absorption for the city this year."

With pre-leasing complete or nearly completed on the three buildings currently under construction in the Beltline, Avison Young said it expects the market to remain steady through the coming year.

The commercial real estate firm said the vacancy rate in the first quarter for the suburban north office market hit 12.6 per cent (14.3 per cent including sublease space), up from 12 per cent at the end of the fourth quarter 2008 (12.2 per cent including sublease space) and 4.7 per cent a year ago (5.2 per cent including sublease space).

Avison Young said the vacancy rate for the suburban south office market is seven per cent (10.1 per cent including sublease space) in the first quarter of this year, up from 6.3 per cent (eight per cent including sublease space) at the end of the fourth quarter 2008 and 2.6 per cent (3.5 per cent including sublease space) a year ago.

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