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Downtown vacancy rate poised to spike

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20% of space may be empty, says report

Downtown Calgary could flirt with a 20 per cent vacancy rate in the coming years when two huge office skyscrapers are completed.

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Todd Thronson of Avison Young Calgary says the construction of towers downtown will cause a jump in office vacancy.

A new market report by commercial firm Avison Young says there has been a tangible shift in the Calgary office market in the past couple of months and vacancy rate increases are expected over the next six to 18 months.

The outlook for Calgary remains uneasy, says the report, as the momentum seen in the past few years is

quickly being eroded.

"There are a lot of people projecting (downtown vacancy) to be around 20 per cent by late 2011, when Eighth Avenue Place and EnCana (the Bow Tower) come on stream," said Todd Thronson, managing director of Avison Young Calgary. "So that's going to put in another three million square feet into the marketplace and there's a lot of people nervous about that."

Citywide off ice vacancy has risen to 9.3 per cent (5.7 per cent excluding sublease space) in the second quarter of this year, up from 7.6 per cent (5.1 per cent excluding sublease space) in the first quarter. Sublease space now represents about a third of all space available for lease.

The report said citywide vacancy is anticipated to rise by seven per cent to reach 16 per cent (12.7 per cent excluding sublease space) by the second quarter of 2010.

That's a level the city has not seen since the mid-1990s, said Thronson.

The downtown office market has a vacancy rate of 7.8 per cent (3.4 per cent excluding sublease space). Avison Young said in its report the projected vacancy in that market for June 2010 is 15.7 per cent.

The number of wells drilled in the province is the leading predictive factor for the amount of office space, said Richard Pootmans, business development manager for real estate for Calgary Economic Development.

"Wells drilled are down and demand for office space is down. They are related," he said.

But a notable statistic is the 0.1 per cent vacancy rate for the class AA downtown office buildings, which Pootmans described as "remarkable."



He said the rental rate adjustments because of the increased vacancy rates are triggering a level of interest in the Calgary office market not seen for some time. [See page 36](#)

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Tavis Ford
16 July 2009
09:16

The Commercial Real Estate bubble burst at least a year ago in most parts of North America. Our media and the public discourse are only now reflecting this. The impact on the economy will be as severe as the losses incurred through the collapse of the residential mortgage market and likely be the impact that topples the leviathan house of cards of the derivatives market. 1.1 Quadrillion dollars at stake. No "stimulus package" will dent that. Just the bankruptcy of entire currencies and countries and years of hyper-inflation.

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