

## CORE'S CAPACITY READY TO RISE



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While Calgary's office vacancy rate declined in the second quarter, analysts say new space coming on the market in the form of newly completed buildings will reverse that trend.

# Office vacancy decline likely to be short-lived

### More space set to come on market

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CALGARY HERALD

Calgary's overall office vacancy rate declined in the second quarter, but is expected to rise in the coming months as more new space hits the market.

A report by commercial real estate firm **Avison Young** in Calgary said the overall market vacancy rate fell to 10.7 per cent, down from 11 per cent in the first quarter but up from 9.3 per cent a year ago.

Calgary is above the national average for office vacancy of 10 per cent. But the report said it is expected that "impending completions of new inventory" will drive up vacancy rates faster than the market can absorb space. While vacancy is rising, the amount of occupied space is also growing.

"It is anticipated that vacancy rates will rise for at least the next two years," said the report. "Absorption is anticipated to be positive for 2010, finishing the year with a cumulative total around positive 2.6 million square feet."

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OF AVISON YOUNG IN CALGARY

tor of Avison Young in Calgary, said good activity is expected to continue in the marketplace for the next six months.

"I see rental rates stabilizing. I see vacancy stabilizing where it is right now — if not improving slightly," he said. "There is positive absorption in the marketplace. But I think next year is going to be a more problematic year. You've got a lot more space coming into the market next year."

The report said peak citywide office availability is projected to be around 15 per cent in spring 2012, when the last two major downtown office projects — The Bow tower and Eighth Avenue Place — will be completed, adding nearly three mil-

lion square feet of space.

"The vacancy numbers from this downturn are not expected to be as severe as those seen in the downturns of the early 1980s and 1990s, when vacancy rates over 20 per cent were recorded," said Avison Young.

Todd Hirsch, senior economist with ATB Financial in Calgary, said the city's office vacancy rate is expected to continue to rise for the next couple of years.

"In 2010 year-to-date, Calgary is ... experiencing positive absorption, which means that even though new office space is still coming onto the market, companies are moving into that space ... faster than new space is opening up."

But Hirsch that may begin to change next year and beyond as The Bow and Eighth Avenue Place projects come on line.

"But for now, while Calgary's office vacancy rates have certainly risen, the market seems perfectly capable of absorbing new space as it becomes available."

A downtown office second-quarter report by **CresaPartners** said tenants are capitalizing on the downward trend in the market and using it as an opportunity to relocate to better-quality space.