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# EDMONTON JOURNAL

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## After the boom, office space sits empty

BY BILL MAH, EDMONTON JOURNAL    DECEMBER 30, 2009    BE THE FIRST TO POST A COMMENT

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A lucrative and lengthy economic boom and Edmonton gets only one new office tower to show for it?

Chad Boddez, an agent for commercial realtor Colliers International, says the perception that Edmonton's office market gained only the under-construction Epcor Tower despite the recent boom's influx of money and people isn't quite accurate.

"We do have some new

supply, but it's not like we've got a whole bunch of brand new office towers like they do in Calgary or Toronto," Boddez said.

"Downtown wasn't the big change," Boddez said. "It was mostly on the south side by South Edmonton Common and near 51st Avenue."

In 2006, for example, ground was broken for a three-storey, 78,000-square-foot office building in southeast Edmonton, touted then as the city's first spec-built office building in 16 years.

The owner, Sun Life Assurance Co. of Canada, invested in the speculative project, with no tenants yet signed, because the economy was strong, vacancy rates low and rents were strengthening.

Now, after the boom, "you have a whole bunch of these buildings sitting empty for various reasons, mostly because the timing was just a little off."

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There was also activity downtown, notably the redevelopments of the Devonian, still empty, and former Professional buildings, now leased partly by the Alberta Investment Management Corp. and Intact Insurance.

“So has there been a whole bunch of brand new office buildings added to Edmonton? No, just the Epcor Tower, but there definitely have been some retrofits.”

—Avison Young’s fourth-quarter 2009 office report rates Edmonton’s overall office vacancy rate at 8.2 per cent, up from 5.8 per cent a year earlier.

The economic downturn forced companies to reconsider their space needs, with many subleasing their excess.

Principal Cory Wosnack still calls it a balanced market.

“Landlords are better equipped to accommodate growing tenants in their portfolio, and tenants are presented with more availabilities in the marketplace without being held captive, which was the case in 2007 and 2008,” Wosnack said.

In the industrial sector, the market was virtually frozen until the mid-1990s, said John MacDonald, a senior partner at Cushman & Wakefield.

“By the time we got to 2000, we see the beginnings of what we see today — the first new distribution warehousing started to be built,” MacDonald said.

“The economics all started to work about then.”

From 2000 to the peak of 2008, Edmonton rose from the major Canadian city with the lowest rents and land costs to the highest, MacDonald said.

“The story is really the change between where we were to where we got to.

“We were on a heck of great ride. It was a pretty remarkable period of growth. We went from being a below-market hinterland to the most expensive industrial real estate in Canada, maybe in North America.”

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