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Vacancy rate for city offices up 40% in year More leasing expected with recovery in 2010

BY BILL MAH, EDMONTON JOURNAL DECEMBER 19, 2009 COMMENTS (9)

The Edmonton office market is ending 2009 with an 8.2-per-cent vacancy rate, up from 5.8 per cent a year earlier, says Avison Young in its fourth-quarter report released Friday.

A depressed economy forced more companies to sublet office space, adding to the available supply, said the commercial realty firm.

But the company says the office market is balanced and poised for more leasing activity in 2010.

"Despite a higher vacancy rate, the Edmonton office market is still considered to be in reasonably good health," said Avison Young principal Cory Wosnack.

"The past six months have seen a continued rise in the amount of available space, mostly due to the injection of numerous sublease opportunities, and we expect this trend to continue until mid-year 2010."

Wosnack said the increased options cause landlords to be more competitive, and tenants will benefit from more creative financial incentives to lease space. The situation will bring moderate downward pressure on rental rates and higher inducement packages for tenants, including rent incentives and improvement allowances.

Lease transaction volumes fell considerably in 2009, but Wosnack anticipates more leasing in 2010 as tenants prepare for business growth.

"A vacancy rate of approximately eight per cent is considered to be a balanced market," Wosnack said. "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."

One transaction in late 2009 saw grocery retailer Sobeys take advantage of the vacancy left when GE Canada closed its call centre at 13140 St. Albert Trail in early 2009 because of the economic downturn.

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The new Sobeys western headquarters consolidates 350 staff from its former corporate office at Points West, 17220 Stony Plain Rd., its data centre and retail support centre. The move-in was completed in November.

"What attracted us to this building was the ability for us to bring a large number of our staff under one roof, and that in itself has created a lot of efficiencies and a more productive working environment," said Sobeys spokesman Mike Lupien.

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Markus

December 20, 2009 - 12:21 PM

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 I am surprised the vacancy rate is going up! The Journal was reporting for months during the airport debate that when the decision to close the airport is made MANY new businesses will be moving to downtown Edmonton, even in the recession. Seems like the opposite to me.



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RT & KD

December 20, 2009 - 10:31 AM

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 We have a property we rent out. Things will go back up - this was purchased in 2007 and in the time frame we have, things will go up again. They we'll sell and move to BC.



DP

December 19, 2009 - 8:53 PM

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 @Anders: If all the "elitist" businesses leave town, the Edmonton economy will be in real trouble. Edmonton needs businesses in those offices, as they provide jobs, deliver services, and allow Edmonton to be the provincial capital. Your suggestion of turning them all into high density condos makes no sense as the cost to convert them would be much higher than the market could bear. Please do your research before making a comment. An 8.5% vacancy rate is actually fairly healthy for the market as it promotes competition between landlords.



BB

December 19, 2009 - 7:34 PM

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