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WESTERN MARKET

Move over, Toronto – there's a new hotspot in town

SHELLEY WHITE

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Sky-high rents. Heavy demand for downtown office space. A magnet for company headquarters. It may sound like Toronto, but this commercial real estate hotspot is decidedly farther west.

Despite erratic markets and a lingering world recession, Calgary's office and commercial real estate market rivals Toronto as the most robust in the country, driven predominantly by the continued growth plans of energy companies.

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"We've got a vibrant downtown core, a strong commodity-based economy, low tax rates in Alberta and [many] corporate head offices in Calgary, most of those tied to the energy sector. Calgary is a dynamic place to be right now," says Joe Binfet, managing director of Colliers International in Calgary.

Indeed, the Toronto Board of Trade's 2011 Scorecard on Prosperity, which compares 24 of the world's most prosperous urban centres, gave Calgary third place, just below Paris and San Francisco. Toronto came in eighth.

Don R. Campbell, president of the Calgary-based Real Estate Investment Network, says that on a per capita basis, Calgary has already redefined itself as a leader in commercial and office space.

"Jobs are pouring in, population is growing and businesses are flourishing – and this is during the world's economic downturn," he says.

When it comes to downtown office space, the demand in Calgary seems boundless of late. "One year ago, the vacancy rate in the downtown office

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market was 16 per cent; today, it's under 8 per cent," says Mr. Binfet. "We've had over two million square feet of positive absorption in the downtown office market for this year, to date."

According to Mr. Binfet, in the past 12 months Colliers has leased more than one million square feet in Eighth Avenue Place, a Platinum LEED-certified development in the downtown core, with pre-leasing interest bubbling up for a second, 600,000 square-foot tower. And Eighth Avenue is far from the only hot property – the 1.9 million square-foot Bow Tower has been completely rented by energy giants EnCana and Cenovus, who are now looking for more space.

Oxford Properties, having completed Centennial Place in 2010 (two towers totalling 1.2 million square feet), has announced plans for a new 25-storey tower in the Eau Claire neighbourhood, which would create another 600,000 square feet of office space.

"Energy companies are expanding," explains Mr. Binfet. "They're securing space not only for today, but for their future growth."

"If company 'A' is currently [occupying] 50,000 square feet, the presidents that we talk to are saying, 'Given our growth plan, we need 75,000 square feet,'" said Greg Kwong, regional managing director of CB Richard Ellis Ltd. in Calgary.

A recent study by Jones Lang LaSalle, a financial and professional services firm specializing in real estate, found that Calgary's Third Avenue commands rents for office space that are among the highest in North America.

Law, energy, and oil companies pay rent averaging \$47.51 per square feet on Third Avenue. The study placed the street's rents at 13th highest in the continent, a few slots below Toronto's Bay Street, which came in at No. 9.

Todd Thronson, managing director of [Avison Young](#) in Calgary, says rents in the downtown core have jumped around 50 per cent this year, which has made it difficult for some companies to find space.

"It's creating some struggles for the smaller organizations as rents go up and opportunities go down," he said. "We have an AA market that's around 2 per cent, and an A-class around 4 per cent, and those are very, very low vacancy levels, especially in a market like ours, which has such large tenants and the capacity to grow quickly."

Although Toronto is still the top dog when it comes to the overall number of major corporate headquarters, Calgary is starting to nip at the city's heels.

According to Calgary Economic Development, Calgary has 9.3 head offices per 100,000 people, nearly twice Toronto's figure of 4.7 head offices per 100,000. And while Calgary is experiencing an increase in the number of headquarters heading its way, Toronto is experiencing a decline.

In addition to its proximity to the lucrative energy market, Calgary is also attractive for companies to set up shop because of what the city and its citizens have to offer, says Mr. Campbell.

"[Calgary has an] educated work force to draw from, a high level of highly educated professionals," he said. "And the size and infrastructure of the city allows employees to have additional free non-commute time, which leads to better and healthier lifestyles and therefore happier employees staying longer term."

In terms of future growth, Mr. Kwong says the commercial real estate industry in Calgary is feeling very "bullish" right now, despite continued economic uncertainty here and abroad.

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"The recession hit us just like everyone else, and it was very much a soft landing here and we bounced back a lot quicker than elsewhere in Canada," he says. "We are very driven by the price of oil and the demand for oil, and until someone invents an alternative energy source to replace oil, Calgary and Alberta need to be here."

"If oil continues to be priced above 60 dollars, then I believe the financial statements of the big energy companies, which are very positive," says Mr. Thronson. "They have lots of cash and they are going to be very focused on growing their business opportunities, so I think we're looking at a very healthy time period where Alberta is going to be strong economically."



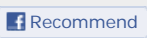


As for being "the new Toronto," Mr. Binfet says it's not a comparison many in his city would relish.

"I don't think Calgary likes being compared to Toronto," he says. "Calgary stands on its own, with an entrepreneurial attitude, a can-do spirit and a culturally diverse, vibrant downtown."

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