



Vacancy signs going up for office space Slumping economy will ease situation for Metro Vancouver

VANCOUVER SUN; WITH CANWEST NEWS SERVICE JANUARY 14, 2009

The tight office vacancy rate in Metro Vancouver is expected to ease somewhat this year because of the slumping economy, brokerage Avison Young says in its outlook for the year ahead.

The forecast is for the office vacancy rate in Metro Vancouver to rise from five per cent in 2008 to 6.5 per cent this year.

Douglas McMurray, managing director of Avison Young Canada's Vancouver office, said in a news release Tuesday that the downtown core "affords little room for movement," with only a 2.5-per-cent vacancy rate and no major downtown office tower anticipated to come on stream before 2013.

But, he added: "Construction machinery will remain active in some suburbs in 2009; hence, vacancy may notch up and inducements may increase as landlords compete for fewer deals."

In Toronto, Avison forecasts office vacancy rates will surge from 4.3 per cent to seven per cent in 2009.

In Calgary, meanwhile, rates will climb from 3.4 per cent to 4.6 per cent. Major new projects in both markets will add millions of square feet to existing supply.

"There will be a crisis of confidence in the big markets," as executives delay decisions as the financial downturn plays out," Avison chief executive Mark Rose said in an interview.

This could stretch out for 12 to 18 months, but possibly longer if significant job losses mount, with employment levels being a key determinant of space needs, Rose said.

Nationally, that will mean office vacancy rates climbing to 6.7 per cent in 2009 from 5.2 per cent in '08 as new inventory and a spike in sublease space weigh on the market.

Nevertheless, Rose said "generally strong" fundamentals and relatively

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constrained supply should start to brighten the picture in the second half of the year.

Transaction volumes will also increase as fear of the financial crisis ebbs, he added.

"Investors requiring high leverage may be sidelined for now, but there is still significant capital seeking opportunities, and there are still many interested tenants waiting in the wings," he said.

In the industrial sector, vacancy rates are expected to rise to 6.4 per cent in 2009 from 5.4 per cent in the year gone by as supply outpaces demand and rental-rate increases falter.

Metro Vancouver's industrial vacancy rate is expected to climb from 2.4 per cent last year to 3.3 per cent in 2009.

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