

Rent-weary businesses turn to condominiums

Companies see benefits of ownership

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Condominium ownership is a term most often associated with the residential real estate market.

However, businesses are also seeing the benefits of condo ownership as opposed to renting space.

A report by Avison Young Commercial Real Estate says that while demand for condominium office space has risen in Calgary, the lack of available product and new construction has restricted the number of sales that have taken place.

But the Calgary Business Condominium Report for spring 2008 says the dollar volume for 2008 office condo sales is well on its way to a record year.

By mid-May this year, \$44.9 million in sales had already been completed in the condo office market, representing 16 transactions, says Avison Young. This is up \$26.4 million, or 143 per cent, from 2007, which had 30 sales and a total combined transaction dollar volume of \$18.5 million.

In the industrial commercial real estate market, by mid-May, \$36 million in sales had already been completed over 55 transactions.

This is up considerably from the same time period last year, which had only recorded \$7.4 million in nine sales -- a 386 per cent increase. However, dollar volume in sales for 2007 ended at a record \$104.4 million in 200 sales.

Business condo ownership began about 20 years ago with office buildings. Then industrial buildings came on stream about 10 years ago and "took off like wildfire -- everyone's doing them now. I would say it's an up-and-coming trend for sure," said Fred Clemens, associate with Avison Young in Calgary.

The reason for the trend is exactly the same as the reason people own their homes rather than rent them, he said.

"It's wise to invest in what you're going to be occupying rather than paying rent," said Clemens.

"It has slowed in the last eight or nine months or so as all commercial real estate has kind of slowed in the city a little bit. But we had no problems selling off our first building before it was finished and I'm quite confident we'll have our other buildings sold before they're finished as well."

The 14-storey Genco Place tower (now renamed Concrete Equities Place at 396 11th Ave. S.W.) sold out. Avison Young currently has office condos for sale at two new buildings with occupancy slated for 2010: 634 6th Ave. S.W. and 1108 4th St. S.W. There are also plans for new building at 608 7th Ave. S.W. that will also be sold as office condos.



CREDIT: Ted Rhodes, Calgary Herald
Fred Clemens, left, and Pali Bedi of Avison Young Commercial Real Estate say business condo ownership is a trend popular with small companies that have plenty of capital.

Business condo ownership is attractive for small companies with plenty of capital, said Clemens.

"A lot of oil companies right now are sitting on huge windfalls and they have to do something with them so we're finding a lot of that . . . Accountants and lawyers and oil companies are pretty much the three groups that are really going after these things."

The city is served by a world-class real estate development sector that offers many space alternatives and financing options to the business community, said Richard Pootmans, business development manager of real estate for Calgary Economic Development.

For the owner/manager, "the purchase of their office or industrial space can be a compelling alternative to leasing," he said. "There can be more predictability to the occupancy costs and for an owner/manager contemplating an exit strategy, built-up equity in the premises is an attractive benefit."

"It seems as though for many business people there's a kind of peace of mind associated with working towards ownership of their premises. Naturally, however, in the end it is each operator's unique after-tax occupancy costs that need to be considered."

Pootmans said business condo ownership in the past few years has come alive and it's growing.

"That's a very good thing for the market," he said.

In the Calgary office condo market, there were 42 sales in 2006 for \$47.5 million. In 2005, there were 44 sales for \$18.2 million.

In the industrial condo market, there were 131 sales for \$51.3 million in 2006 and in 2005 there were 75 sales for \$26.2 million.

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