

## Office building boom in line with demand

### Office space set to increase by 25 per cent

**Mario Toneguzzi**  
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A commercial real estate report by Avison Young says Calgary's current office construction boom is much more in line with the anticipated GDP growth rates than the previous boom.

"Calgary has certainly learned from the oversights of its past," says the Calgary Office Market Report for spring 2008.

During the previous construction boom between 1979 and 1983 more than 22 million square feet of office space was added to the Calgary market, tripling the inventory of office space in the city, said the report.

"When economic growth stalled and the office market took a sudden downturn in 1981, it was almost 20 years before new construction of any significance began to take place again," it says. This time around, it is expected Calgary will add about 12 million square feet of space between 2007 and 2011, increasing the overall inventory by about 25 per cent.

"The outlook remains extremely positive for the underlying strength and stability of our economy thus making real estate a prudent long-term investment," says the report by the commercial real estate firm.

Avison Young says "as oil continues to reach historic highs and vacancy rates in the city remain in the low single-digits, Calgary is still viewed as a market of opportunity and it continues to attract a steady flow of investors."

The city is at a very healthy pace for new office construction according to Todd Thronson, managing partner in the Calgary office of Avison Young.

"With the buildings that we are building and all of the buildings that are going to be coming into the market between now and early 2010, we're projecting, worst-case scenario, that our vacancy is going to get up to about eight to eight and a half per cent for the downtown. That's still a healthy market as defined by traditional real estate standards -- as far as being healthy for both tenants and landlords," Thronson says.

Avison Young says the current downtown vacancy rate is 1.82 per cent, up from 1.46 per cent at the end of 2007. Beltline's vacancy rate is 3.02 per cent for the first quarter, up from 1.47 per cent at the end of 2007. The overall suburban office market's vacancy rate is currently 3.64 per cent, an increase from 2.75 per cent at the end of 2007.

Real estate developers are taking a far more prudent approach to building today, resulting in a situation where the city is not overdeveloped, says Adam Legge, vice-president and chief economist for Calgary Economic Development.

"You can sum it up in the sense of once bitten, twice shy," he says. "Most real estate developers have learned from their challenges in the past back in Calgary in the 1980s and have taken a far more conservative approach."

There are 11 office buildings (6.3 million square feet) under construction in Calgary's downtown. Another four buildings (1.9 million square feet) are in the pre-leasing stage and 10 buildings (7.4 million square feet) have been proposed for construction should demand dictate a need or sufficient pre-leasing be completed.

In the Beltline, the report says there are five office buildings (590,000 square feet) under construction and seven (1.4 million square feet) in the pre-leasing stage. Five buildings (945,000 square feet) have been proposed for construction depending on future market demand.

In the suburban office market, there are 23 office buildings under construction (2.4 million square feet) with another 37 buildings (3.4 million square feet) in the pre-leasing phase and 10 recently proposed projects for the future (5.9 million square feet).

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