BuzzBuzzNews CANADA

Is Calgary’s commercial real estate recovering just like its housing market?

Kerrisa Wilson Aug 25, 2017

After a nearly three-year long recession, activity in Calgary’s commercial real estate market appears to be on the path to recovery.

With more investors entering the market since the third quarter of 2016, the first half of 2017 saw a 24 per cent year-over-year increase in total commercial investment dollar volume, according to Barclay Street Real Estate’s Mid-Year 2017 report published today.

“There seems to be a new trend of optimism here in Calgary, we’ve weathered the storm. it’s been a little flat for a bit but what we’re expecting is growth,” Nicholas Earl, investment sales associate at Barclay Street Real Estate, tells BuzzBuzzNews.

The report analyzes Calgary’s commercial investments ranging from $1 million to $25 million-plus in five categories: office, retail, industrial, multi-residential and ICI (industrial, commercial and investment) and residential land.

According to the local commercial real estate brokerage, from January to June 2017 Calgary’s overall commercial real estate acquisitions totaled more than $1 billion, compared to roughly $827 million during the same period in 2016.

The boost was achieved with a notable hike in investment in the commercial office and residential land asset sectors.

Last year, Calgary was in the “middle of an oil glut” where prices were flat and appeared to have bottomed out, says Earl.

But for the first half of 2017, office transactions of $1 million and greater accounted for 29 per cent of the city’s overall commercial investment sales, reflecting an upswing in investor sentiment, he adds.

However, prices have fallen in the office sector as office buildings went for $249 per square foot in the first half of the year compared to $376 seen a year ago.

With more supply still on the market, Earl says it’s no surprise prices are dropping.

“The reason the prices are falling is because there’s a higher vacancy rate so it’s a good opportunity for tenants to get space right now at cheaper rates, which should have a positive on that vacancy rate,” says Earl.

For the first six months of the year, residential land sales also contributed a significant amount to the city’s overall commercial investment, totalling more than $174 million compared to $79 million a year ago.

The majority of sales occurred in the $1 million to $3 million category, catapulting total revenue over last year’s levels.

Conversely, the retail segment of the market did not perform as well compared to last year, a result of a lack of “big-ticket” purchases of $10 million or greater.

During the first half of the year, the retail segment’s overall dollar volume decreased to $74 million compared to $137 million seen at the mid-point of 2016.

However, retail vacancy rates in the suburban markets continue to decline, which Earl says is a positive sign of the market slowly rebounding.

He adds the retail segment is healthy but there have been fewer transactions for the first half of the year, as sellers with quality assets are looking for top premium prices and buyers are hunting for deals.