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Developers remain bullish in Calgary suburbs

WI Staff Western Investor
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Speculative developers apparently remain confident in suburban Calgary, even as the office vacancy rate soars for Class A space and take-up goes negative.

In a report, **Barclay Street Real Estate** noted that the overall office vacancy rate in the Calgary suburbs is 22.3 per cent, up 1.1 per cent from the second quarter of this year, but the Class A vacancy is 23.5 per cent. The agency suggests that landlords may soon face some tough decisions.



Harvest Hills Office Park Building B has 52 per cent of its 74,350 square space feet pre-leased. — Colliers International

“With so much space available, and a plethora of choices, landlords of new and older properties alike must adjust their expectations,” the report cautioned.

According to Barclay, absorption of office space in the third quarter went negative by 169,900 square feet, yet almost 700,000 square feet of new office space is planned for delivery over the next 15 months.

“Serving to muddy the waters is the ongoing introduction of new, often high-end office inventory which increasingly includes vast parking lots with free parking,” Barclay noted.

In the third quarter alone, about 270,000 square feet of new suburban office space opened, but only 79,000 square feet was spoken for. Another 65,000 square feet is scheduled for delivery in the coming six months.

Barclay noted a mixed performance, with some new buildings seeing strong pre-leasing and others seeing very low take-up.

Major projects coming to the market by 2017 include the Harvest Hills Office Park Building B by Qualico Commercial, with 52 per cent of its 74,350 square feet pre-leased; the Computer Modelling Group building, by Remington, with 100 per cent pre-leased. The Windsor, a 70,113-square-foot office project where condo offices are available, has sold just 15 per cent of its space, Barclay reported.

Competing with new projects is a large amount of sublease space. According to Barclay, there was 340,000 square feet of vacant sublease space in the third quarter, most of it concentrated in two suburban business parks.

Class A sublease space is leasing for \$12 to \$15 per square foot, while Class A head leases are aiming for \$16 to \$27 per square foot, Barclay’s report noted.