

# The Calgary Herald

## Prime Calgary office rent highest in nation; Survey also ranks it 25th

### highest in world

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Illustrations: Photo: Calgary Herald Archive / Cushman & Wakefield LePage lists Calgary 25th in the world at \$47.05 US per square foot per year. ;

Photo: Chris

Anderson ;

Calgary has the highest rental rate in the country for prime downtown office space and is among the priciest commercial real estate in the world, according to a global rent survey by Cushman & Wakefield LePage.

The commercial real estate firm lists Calgary at 25th overall at \$47.05 US per square foot per year -- tops in Canada.

Internationally, the company lists London's West End as No. 1 at \$233.33 followed by Hong Kong Island (\$185.64), Mumbai (\$144.48), Singapore (\$135.48), and Russia and Paris (\$109.00). Midtown New York is the priciest in North America and eighth overall at \$78.85.

The Cushman & Wakefield LePage survey was of Class A properties in the central business districts of 95 cities, ranking the most expensive rates in these locations.

"Our rental rates have increased to the highest in Canada for A space in the central business district," said Chris Anderson, senior managing director for Calgary for Cushman & Wakefield LePage, attributing that to supply and demand factors.

"Will we see this soften by 2011 (when most of the current downtown office projects will be completed)? I think you might see it come off a little bit . . .

Rarely do we see a significant decline in rates. You may see a correction once we have a little bit more supply, but that doesn't mean landlords are going to have a firesale and start putting AAA space on \$30 again. I don't see it unless we're left with large blocks of space.

"Looking in the crystal ball for Calgary, as long as the energy sector continues to hum along, which it still seems to be doing, and as long as developers are realistic in the supply that they bring on in the measured pace that they've been doing over the last couple of years, and further as long as we continue to see single-digit vacancy rates I think we'll continue to see the rental space in A space in the central business district at this level or this ranking globally. We're still very competitive . . . Compared to the major markets in the U.S. we're still economical."

The Cushman & Wakefield survey listed Toronto as 28th overall internationally at \$44.25 followed by Vancouver at 29th overall at \$43.83. Edmonton was 31st at \$39.82.

A research report by Barclay Street Real Estate for the second quarter of 2008 says that with strong leasing activity throughout the quarter, rental rates continue to remain consistent throughout downtown Calgary.

Barclay Street says the overall downtown vacancy rate in the city was 4.1 per cent in the quarter in an inventory of 32.5 million square feet. The vacancy rate for AA Class buildings was 0.8 per cent and it was 2.2 per cent for A Class buildings.

Anderson said Calgary rental rates haven't changed much over the past year. As more supply has come on, it's eased the upward pressure on rental rates.

"We're not seeing the steady increase month over month and deal over deal like we were in 2006 and the early part of 2007," added Anderson.

Because the oil and gas industry is the main one in the city, that's where the demand for prime downtown office space is coming from.

"The energy companies want to be in downtown and they want to be in a class space. So that demand is keeping our rental rates up. We're becoming a world class city and a world class downtown."

Cushman & Wakefield LePage says Canadian office markets are at or near the bottom of the vacancy trough and softer market conditions are on the horizon. While Western Canada office markets will continue to see growth in occupied space, particularly in Calgary and Edmonton, expectations of weaker economic fundamentals in Ontario will mean weaker office demand in central Canadian markets and rising vacancy rates.

The national vacancy rate fell marginally to 5.9 per cent over the second quarter from six per cent last quarter with "demand momentum in most markets slowing to a crawl."

Calgary had a 4.4 per cent vacancy rate in its "central area" and in the suburban area, Cushman & Wakefield LePage listed Calgary at an 8.3 per cent vacancy rate.

"Of the major markets, Calgary has the tightest central area Class A vacancy in the country at 1.9 per cent with demand strengthening slightly over recent months as a result of a run up in natural gas prices," said the commercial real estate firm.