

Positive momentum in Calgary's industrial real estate market

Six straight quarters of declining vacancy

BY MARIO TONEGUZZI, CALGARY HERALD APRIL 6, 2011

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CALGARY — Positive momentum in the Calgary industrial real estate market continued into the first quarter of this year from a strong finish in 2010, says a report by Colliers International.

Vacancy declined from 5.57 per cent to 5.23 per cent — the sixth straight quarter of decreasing vacancy, excluding the Haworth manufacturing facility and the Enerflex fabrication facility, both over 300,000 square feet which became vacant in the fourth quarter of last year.

Those two buildings increased vacancy by 0.9 per cent on their own.

Joe Binfet, managing director of Colliers International in Calgary, said there are less options available for tenants in general and particularly in the big bay sector of anything over 50,000 square feet.

“We are seeing speculative development in the market. Three large distribution facilities are slated for the northeast,” said Binfet.

“Vacancy is decreasing. It’s a very positive market right now. We’re seeing retail driving some of the distribution expansion. Calgary is under-retailed and there is a strong demand for retail in town. We’re seeing distribution facilities pop up to support that demand.

“There’s continued optimism with the oilsands and oil over \$100. We’re seeing companies poise themselves for growth. And the oil services sector continues to be strong in the industrial market.”

The Colliers report says continued stable demand is forecast for the remainder of 2011.

In the first quarter, there was positive absorption of 802,739 square feet in the industrial real estate market.

Sean Bradley, of the Advent Commercial Real Estate Group, said Calgary’s economy seems to have stabilized despite some pressing world concerns such as unrest in Libya and the aftermath of the earthquake and tsunami in Japan.

A Canadian dollar above par with the United States and \$100 per barrel oil prices have contributed to positive momentum in the local real estate market, he said.

“Since the recession began two and a half years ago we have been slowly absorbing leftover vacancies from the boom times,” said Bradley. “The market now feels it’s time to ramp up the building development cycle.

“Contractors are busy quoting jobs that have a strong chance of going forward.”

According to commercial real estate firm CB Richard Ellis Ltd., the average net rent for industrial real estate in Calgary was \$7.84 per square feet in the first quarter of this year, up from \$7.71 in the previous quarter, and \$7.35 a year ago.

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