

Industrial real estate vacancy rises Availability in two buildings pushes up rate

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Despite continued demand for new space and lack of any significant new development, the vacancy rate in Calgary's industrial real estate market rose to 5.57 per cent in the fourth quarter of 2010.

A report by Colliers International in Calgary says the increase is a result of two large industrial buildings coming vacant -- the Haworth manufacturing facility (760,603 square feet) and the Enerflex fabrication facility (316,369 square feet).

In October, the city's overall industrial real estate vacancy rate was 4.82 per cent.

Joe Binfet, managing director of Colliers International in Calgary, said the city continues to see momentum in the industrial real estate market.

"The market is slowly switching over in favour of the landlords. At this point we're seeing some upward pressure on rental rates in the big bay market," he said.

"Oil prices being over \$90 certainly helps. We're seeing robust activity in the transportation and logistics sector. We are seeing some (speculative) development now which is encouraging. Landlords are building product for owner/ user applications and that's a very good sign for us."

The overall industrial inventory is just over 119 million square feet in Calgary.

"The beginning of 2010 was the highest industrial vacancy the market has experienced in the last 10 years at 6.38 per cent," says the Colliers report. "This was mainly attributable to the overall recession of 2009, which had resulted in a slow and stagnant market, as well as an accumulation of large speculative development remaining unoccupied. The stagnancy experienced in 2009 appeared to have lifted in some market segments with the turn of the new year as vacancy began to decrease."

Absorption in 2010 was just over two million square feet, nearing the level seen in 2007 and nearly twice as much as the previous two years combined, adds Colliers.

"Looking forward to the leasing market in 2011, the overall trend of decreasing vacancy from 2010 is expected to continue," says the report. "The high amount of absorption is a strong indicator of healthy demand in the market which will continue to consume vacant product."

Meanwhile, Statistics Canada reported Monday that investment in non-residential building construction in the Calgary census metropolitan area was \$875 million in the fourth quarter of 2010 which was down 14.2 per cent from last year and by 7.1 per cent from the previous quarter. Investment in the industrial sector dropped by 1.3 per cent from a year ago to \$20.2 million while the commercial sector was off by 4.8 per cent to \$469.6 million and the institutional sector decreased by 10.1 per cent to \$385.5 million.

Alberta also saw declines in investment in non-residential building construction with the fourth quarter 2010 value of \$2.2 billion off by 1.8 per cent from the previous quarter and by 6.6 per cent from a year ago.

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