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Canadian commercial property insiders reveal top stories of the summer

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Analysts say Calgary is on the brink of a bounce-back while Vancouver and Toronto are battling near historically low office vacancy rates

EVAN DUGGAN Updated: July 10, 2019



While Calgary is seeing signs of a recovery, the country's other big markets in Metro Vancouver and Toronto are seeing office-space crunches. CRYSTAL SCHICK / POSTMEDIA NEWS

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It's that point in the summer when many brokers and staffers in Canada's commercial real estate industry head out of the cities for their vacations in the mountains, at the lake or perhaps to networking events at the Calgary Stampede.

But that doesn't mean there aren't issues, stories and topics to handle.

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Postmedia recently spoke to several commercial property insiders around the country who revealed what they'll be thinking about throughout the summer months.

An office rethink, signs of business resurgence in southern Alberta

In Calgary, thanks to several years of major downtown office vacancy, the market is finally undergoing a reconceptualization, said [Matt Rachiele](#), managing director with Colliers International in Calgary.

The arrival of major office co-working brands and reverse migration of tenants from the suburbs to the under-subscribed downtown office market are among the key changes.

In recent months, office co-working giant WeWork has announced two locations in Calgary for a total of 180,000 sq. ft., Rachiele said.

"(Co-working) is growing and I think it's going to grow fairly rapidly."

[Susan Thompson](#) of Avison Young is looking for signs that the overall level of business confidence is climbing in Calgary.

The office market has now come off its peak vacancy in 2017, but "there's nobody who is going to call 24 per cent vacancy great," said the brokerage house's Calgary research manager.

The recent change in government at the provincial level, a looming election at the federal level and the re-approval of the Trans Mountain pipeline by the feds could help to jumpstart the broader economy, she said.



A rise in co-work sites such as WeWork and demand for strata office are helping drive huge demand in Metro Vancouver. FRANCIS GEORGIAN / PNG

Staggering tenant demand and lack of supply on West Coast

The big story in Metro Vancouver is the unbridled demand for office space in downtown Vancouver and the region's densifying suburbs, said Mark Trepp,



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an executive vice-president with [Jones Lang LaSalle](#) in Vancouver.

Curious and motivated high-tech Fortune 100 and 500 firms, the co-working giants and buyers seeking strata office have continued to stoke the hot office sector here.

"It all really comes back down to ... the market's increase in demand and the quality increase of tenancies that are now looking at Vancouver," he told Postmedia.

"Anybody looking at Vancouver now ... unless you're prepared to get a toehold with a 5,000-6,000 (square foot) office, you're probably waiting at least two, and maybe as many as four years for a building that can accommodate your requirements," Trepp said, noting that the downtown office vacancy rate has fallen to 3.4 per cent.

The extremely tight vacancy in the office market is also taking place, perhaps even more critically, in the Metro Vancouver industrial market, said [Andrew Petrozzi](#), principal and research practice leader with Avison Young in Vancouver.

"We're currently in a period of extremely tight vacancy and lack of new supply across Metro Vancouver in terms of both office and industrial space," he said.

He said the markets are now strongly favouring landlords and the regional municipal governments are not doing enough to fast-track commercial developments in their cities.

His firm's second quarter industrial report for the Metro Vancouver region showed that every market in the region is now facing industrial vacancy of less than two per cent, "which is unheard of."

Big firms gobbling up space in the Big Smoke

The office sector presents a similar story in Toronto. There is not enough new office product (yet), and far too many large firms looking to set up shop, relocate or expand their local footprint, said [Bill Argeropoulos](#), a principal and research practice leader, Canada, for Avison Young in Toronto.

With a record-low office vacancy rate of 2.1 per cent, the big question is whether or not tenants can find suitable, affordable workspace, he said.

While developers are now constructing 9.7 million square feet of space in Toronto, the bulk of that new space won't arrive until 2020-2022, and that space is already 71 per cent pre-leased, he said.

"That (would leave) the market in the same position they are in today," he said.

evan@evanduggan.com

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