

# Calgary Office Leasing Market 2010

## February 2011 Calgary REIN™ Workshop



**The Real Story**  
**Calgary Office Leasing Market 2010**  
Prepared for:  
**Real Estate Investment Network**  
Prepared by:  
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### Introduction

- ▶ John Savard – Office Leasing Specialist, represents Tenants
- ▶ 15 years of experience in the Calgary Office Leasing Market
- ▶ I am a fellow real estate investor/landlord
- ▶ My story
  - In 2005, before the boom, the commercial office leasing market was on fire.
  - They say, which is true, that the commercial real estate market is a lead indicator of the residential
  - Bought as many houses as we could, 17 in one year (top 10 award by REIN in 2006)
  - Portfolio has almost doubled, in Calgary & 100% self-owned
  - Just lifted conditions on 2 more houses and fully in the buying mode.
- ▶ Why I am here – to tell you why the same indicators in 2005 are in the commercial real estate market today

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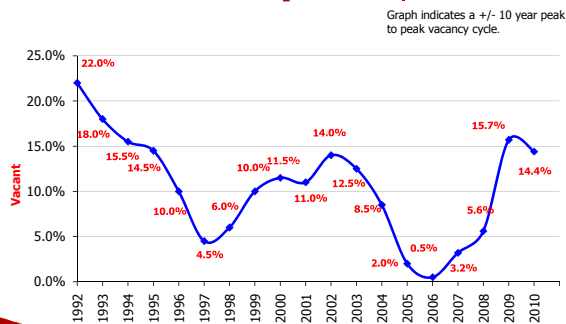
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### Current Headlines: High Vacancy Rates



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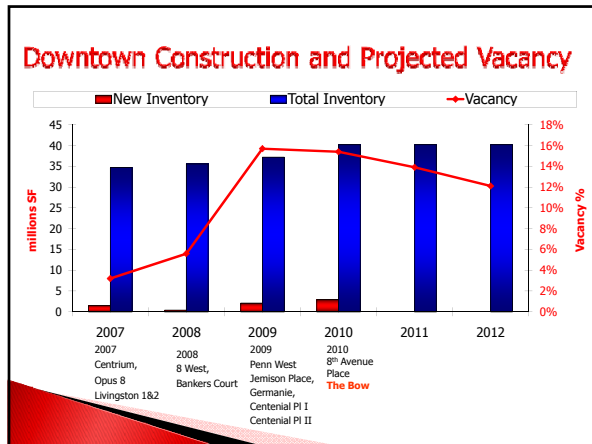
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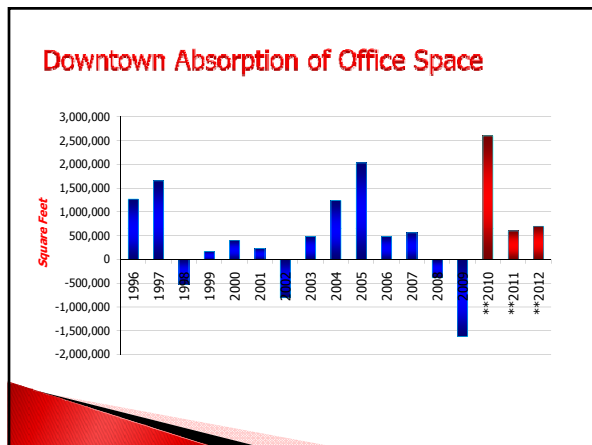
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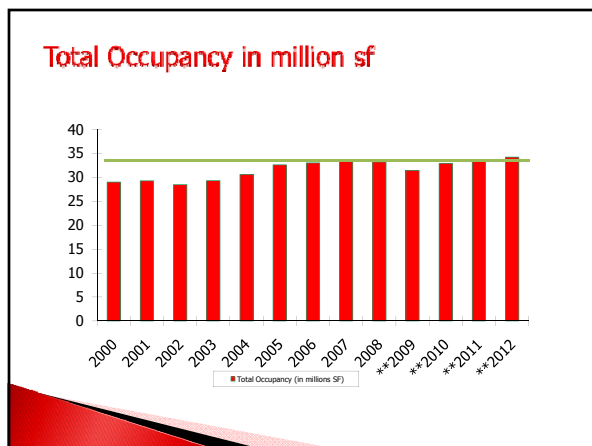
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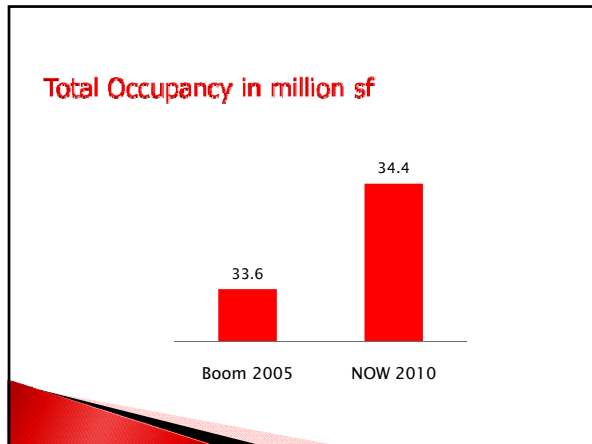
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**What does this mean to us?**

**CALGARY HERALD** January 26, 2011

**Calgary downtown office leasing environment busiest in decades**  
Mario Tonneguzzi

"Companies with long-term solid business plans, or ones expecting large near term growth, took advantage of what was one of the most tenant-friendly markets for quality office space in Calgary for some time."

John Savard, vice-president with CITI Commercial Real Estate Services, said 2010 began with a great amount of uncertainty as 2009 ended with negative absorption of almost 1.6 million square feet.

"2010 in comparison, ended with record total absorption of over 2.6 million square feet," he said. In its calculations, CITI has added the 1.7 million-square-foot Bow tower in the downtown office inventory.

"Interestingly, the average (central business district) office tenant requires an average of 300 square feet per employee. This suggests the (central business district) will hire 8,667 new employees," he said.

Calgary's downtown office leasing market was one of the most active ever in 2010.

Photograph by: Leah Hennel, Calgary Herald

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**What does this mean to us?**

- ▶ **DIRECT JOBS:** Average (central business district) office tenant requires an average of 300 sf per employee.

$$\frac{2.6 \text{ million sf}}{300 \text{ sf/employee}} = 8,667 \text{ new jobs planned for in 2010 alone}$$

- ▶ **INDIRECT JOBS:** When 8,667 new employees come in bringing their wives, husbands, children, that means more services needed like retail stores, banks, restaurants and more infrastructure needed like more roads, schools, etc. More "indirect" jobs not yet accounted for.

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### What does this mean to us?

#### CALGARY HERALD

By Mario Toneguzzi  
January 20, 2011

Calgary Employment Insurance claims plunge 37% from last year



CALGARY - The number of people in the Calgary census metropolitan area receiving regular Employment Insurance claims in November dropped by a whopping 37 per cent compared with last year.

Statistics Canada reported Thursday that 11,810 people in the Calgary CMA received benefits in November, down by 6,910 people from a year ago.

November was the largest of eight consecutive months of year-over-year declines for Calgary.

Elisabeth Mehrer, director of research, workforce and strategy at Calgary Economic Development, said Calgary is continuing to see the effect of people coming off the Employment Insurance list...

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### Good News for Business is Good news for us

- ▶ This means that Calgary businesses are bullish. They are planning to expand and hire more people.
- ▶ This means that because of the excess inventory in the commercial real estate market, Calgary as a city has the infrastructure to accommodate expanding businesses → so businesses have no obstacle to expand and can hire more people!
- ▶ This means that Calgary downtown businesses can expand with less rent and less operating costs → so they can use the money otherwise used for commercial rent to hire more people

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### Good News for Business is Good news for us

- ▶ Good news for us → more jobs means more in-migration
- ▶ All these people will need a place to live in → we could be there to provide it for them.
- ▶ Fearless Forecast: Net migration in Calgary is going to increase significantly for 2011 and 2012

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