

# Core office market down, 'still healthy'

BY SCOTT LARSON, THE STARPHOENIX FEBRUARY 13, 2014

After a solid couple years of growth the downtown office market is starting to slow.

"Demand has decelerated from 2012 when in the downtown competitive market you saw substantial absorption," said Alvaro Campos, market research analyst with ICR Commercial Real Estate.

Vacancy in the downtown competitive office market rose to 6.1 per cent in January, up from 3.34 per cent in January 2013.

But Campos said fluctuations are to be expected in a small market like Saskatoon's downtown core.

"If one deal were to be done of say, 10,000 square feet, that vacancy (rate) would be right down to 4.5 to five per cent," he said.

Nationally the competitive downtown market is forecast to have around a 10 per cent vacancy rate in 2014.

"So this is still a very healthy market."

And there will be less activity when it come to new construction.

There are a number of new projects being marketed in the downtown core including A new hotel/condominium project, a second tower at River Center and a smaller tower at on 21st Street, but none have a construction start date. Campos said those big projects need to secure a major tenant before they get the green light. In the suburban areas 184,000 square feet of new space was added in 2013.

A couple of office projects are under construction, including a 65,000 building on Main Street in the Broadway area and a 60,000 square foot building in the north end that will be occupied by Corrections Canada.

The suburban vacancy increased by 37 basis points to 7.39 per cent.

Campos said lease rates should remain stable with Class A rates ranging from \$32 per square foot and up for new developments, Class B+ ranging from \$20 - \$24 PSF, and Class B rates range from \$15 to \$24 PSF. Suburban asking rates will range from \$12 to \$34 PSF.

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