

## Calgary leased industrial being converting to sold space

**COVER | Vancouver's PC Urban is turning a fully leased industrial complex into 111,000 square feet of industrial condominium space**

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Vancouver developer **PC Urban Properties Corp.** has bought a fully leased industrial park in south central Calgary where it plans to convert the 111,000-square-foot property to industrial strata.

Core Business Park will be one of very few commercial condo conversions in the Alberta city. It may also signal a trend of industrial action moving to Calgary from overheated, higher-priced Vancouver.

"There's a very limited supply of inner-city resale [industrial] condos in Calgary," said **Sean Ferguson**, associate vice-president, industrial, for **Cushman & Wakefield**, the listing agent for the property. "Most is either newly developed and sold as a shell, without an office or on the periphery of the city."

The 13 tenants currently in place at the 24-bay building will exit, either through early termination or by purchasing their unit, Ferguson explained. A separate investor could also buy a unit and keep the tenant in place, he suggested.

"We will work to find an amicable solution," he said.

Tenants can choose to stay as the developer does a substantial upgrade to the two old buildings on the 5.6-acre site, which is close

to major highways and downtown Calgary.

The buildings date to the 1970s and have 18-foot ceilings, considered low by modern standards.

"It's the location that is really the key," Ferguson said. He said the local industrial vacancy rate is around 5 per cent and lease rates are in the \$10 per square foot range.

PC Urban is well known in Metro Vancouver, where it has successfully converted a number of old industrial sites into modern strata buildings.

But Ferguson said it is unlikely that the Core Business Park will see the \$800 to \$900 per square foot prices being achieved in Vancouver.

Core Business Park's condo prices will range from \$230 to \$245 per square foot, Ferguson said. A typical unit is around 4,600 square feet.

"This is a rare opportunity for businesses to invest in their own commercial property in Calgary," said **Brent Sawchyn**, principal at PC Urban. "As we've seen in our other commercial condo projects in Vancouver and Kelowna, it's a move many businesses are ready to take."

Renovations at Core Business Park will start this summer with completion scheduled for the first quarter of 2019.

Calgary's overall industrial vacancy rate dropped to 6.5 per cent at the end of the fourth quarter of 2017, down from 7.9 per cent a



**Agent Sean Ferguson at the current Core Business Park site (with rendering of strata-space refit, below): "There's a very limited supply of inner-city resale [industrial] condos in Calgary."** | MARK SHANNON, MARK ELEVEN PHOTOGRAPHY.



year earlier, thanks largely to the transportation and warehousing industries, as well as food and health-care.

"Without question, industrial will have the most growth in

terms of employment and new business opportunities," said **Casey Stuart**, Calgary-based vice-president of industrial at **Barclay Street Real Estate Ltd.**

He said people tend to buy less land during a downturn but he's expecting to see some increased activity this year, particularly in industrial.

"If we see an uptick in land sales in 2018, that will be a clear sign that we're on the right path," said **Brian Gettel**, president of the **Network Real Estate Intelligence**, an Edmonton-based real estate research firm.

Stuart believes Calgary's geographic location is a big advantage from a logistics perspective and was largely behind a large investment from **CN Rail**, which built an intermodal park just east of the city a few years ago.

"We've created some infrastructure to support logistics throughout the Pacific Northwest, which includes the runway and international terminal upgrades at the Calgary airport, and rail and truck traffic," he said.

It also helps that Vancouver's industrial market is "overheated" with a vacancy rate below 2 per cent and very high land prices, he added.

"There is extreme pressure on [Vancouver] rental rates so we have seen a number of distribution companies relocating to Calgary or adding additional square footage here instead of in Vancouver," Stuart said. ■

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