

McClocklin sees strength in commercial real estate market

BY CASSANDRA KYLE, THE STARPHOENIX FEBRUARY 11, 2010

Tom McClocklin is confident Saskatoon's commercial real estate market is only going to strengthen in the months to come.

McClocklin, president of Colliers McClocklin Real Estate Corp., believes the city's projected GDP growth this year will translate into positive movement in the industry. If Saskatoon can sell \$500 million worth of building permits in recession-haunted 2009 -- the second-highest sales figure on record -- will 2010 have what it takes to follow the act?

StarPhoenix business reporter Cassandra Kyle asked McClocklin five questions about the outlook for the city's commercial real estate market.

SP: Let's talk about downtown. Will there be any exciting developments in the district this year?

TM: Downtown Saskatoon is still in a very good position as far as relatively low vacancy, and that's a good thing. There is one building, the new Discovery Plaza, which BHP Billiton went into, that has about 30,000 square feet of vacancy. If there's a tenant that comes along, or a tenant that needs anything more than that, then there's going to be justification for a new office building to be built.

In March or April, the old Capitol 4 is coming on, but again it's only about 30,000 square feet, so any tenant that's larger than that is going to require new construction to happen. So there are a couple locations basically ready to go, one is 275 Second Ave. and then, potentially, another site south of the Galaxy movie theatre and beside the Clinkskill Manor.

So those are sites that you could build office buildings on there are places that could happen. So if we see the tenant, we'll see the building.

SP: Vacancy rates increased in both the city's office and industrial markets in 2009 -- is this a bad thing?

TM: No. The vacancy rates in both of those markets, industrial and office, are still at very healthy levels, and in fact if they get too low it's not good for the market because there's just no opportunity for tenants to expand or industrial businesses to grow.

In the office market, eight to 10 per cent is still considered in the healthy vacancy rate (range) and we're just at six per cent right now. And the industrial market is 3.71 per cent, it's still extremely low . . . there's three buildings of 100,000-square-feet plus that are vacant. If you take those out of the market

you're down to less than 2.5 per cent vacancy. So it's very low, very tight, so it's in a very healthy position right now -- both those markets. I don't see it as a negative at all.

SP: The city's retail market still seems to be growing. Do you know of many new companies planning to set up shop in Saskatoon?

TM: There's a new World Gym, the second location, that's set to open in Stonebridge Village, 25,000 square feet, and then there's also the 30,000-square-foot addition to Walmart in that mall. There has been a bunch of new ones open in the last year like HomeSense, Ashley Furniture -- those are new to the city, but they're now open.

Then there's Blairmore, which is just going under construction, with the largest Walmart in Saskatchewan at 185,000 square feet. A fair number of tenants, I understand, are going to go under construction. . . . There's rumours as to who they are -- your usual bank, gas, restaurant, those type of players.

Preston Crossing has the Rona Store the new 110,000-square-foot Rona will be completed this year. That's not new to the city but it's quite an expansion for them and a statement for the market. It's a big place to be in. And University Heights, which is the 23-acres that Pillar Development Corp. is doing, is going to add another quarter-million square feet of retail space. . . . They haven't announced who their tenants are.

SP: Which area of the city do you expect will see the most growth this year?

TM: In the retail, most of the development is going to be between Blairmore and University Heights, probably equally between those two on a retail front, the two big developments that are going on.

Industrial, there's a fair amount of development still in the north industrial sector, there's a fair amount of land there that should see new construction because our industrial vacancy rates are low.

And then office -- actually we're starting to see a fair amount of suburban office buildings built. Out in the Stonebridge area, D&S Homes built one building, Pillar Properties is just finishing another one and D&S Homes, I think, is planning to have a third office building out there. Then there's one on Eighth Street right now, as well, being built.

So for sure we're going to see suburban office development and then, again, if we can find that 30,000-square-foot-plus tenant, we'll see a new office building announced for downtown.

SP: Will the warehouse district become as fashionable as city planners hope it will?

TM: I hope so. It has the potential -- it's a small area, so it's not ever going to be big. It's geographically small and also there's not a lot of those warehouse-type buildings there, unfortunately, but once 25th

Street gets pushed through, it's going to have a lot more access to it.

I think it will be a very trendy, niche area. I think it's going to be quite a popular area, but it's still a fairly small neighbourhood.

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