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## As office vacancies continue to climb, landlords are offering turnkey suites to woo tenants

*A strategic tool to attract tenants and expedite leasing*

Shantaé Campbell || October 8, 2024



Office space that is ready to move into, is leasing faster, a new report said. PHOTO BY GETTY IMAGES/ISTOCKPHOTO

Colliers Canada, in its national market snapshot for the third quarter, has reported a continued rise in office vacancies, reaching 14.7 per cent from 13.4 per cent quarter over quarter. In response to the sluggish market, landlords are increasingly turning to model suites as a strategic tool to attract tenants and expedite leasing, particularly for larger office spaces.

“Model suites have been successful in attracting tenants seeking to reduce upfront costs by securing a more efficient office footprint,” notes the report from the real estate investment management firm.

The data indicates that larger offices — those exceeding 20,000 square feet — with move-in ready office spaces have a significantly shorter lease-up period compared to smaller spaces, typically ranging from 10,000 to 20,000 square feet. This trend suggests that fully furnished, turnkey model suites are helping landlords make a more compelling case to tenants.

Adam Jacobs, head of research at Colliers, explained the financial implications of this approach.

“It’s really in vogue right now because it shifts some of the costs onto the landlord. Traditionally, tenants would bear the burden of furnishing and configuring their spaces, but now landlords are stepping in to provide fully equipped offices that can be occupied immediately.”

According to Jacobs, this strategic pivot is particularly important in a market where flexibility is paramount.

“Landlords are finding that by investing in model suites, they can accelerate the dealmaking process. This allows tenants to move in without the hassle of setup, which is increasingly appealing,” Jacobs said. “While a model suite may not be groundbreaking in terms of design — often featuring white walls and grey carpet — it streamlines the leasing process, which has become slower and more competitive.”

The report also highlights the resurgence of interest in the Downtown Ottawa market, where there has been a marked increase in touring activity, particularly among larger users.

“Model suites and improved move-in-ready spaces remain the focus of leasing activity, while base building spaces are less attractive to tenants due to the high cost of leasehold improvements,” the Colliers report said.

However, the implementation of model suites does not come without challenges. Jacobs notes that while many companies are attracted to the off-the-shelf solutions offered by model suites, those in some sectors, such as law and tech, have specific needs that may not be met by standardized office configurations.

“It’s a one-size-fits-all solution that works for many, but there are still occupiers who require custom setups for privacy or collaboration,” he explains.

Moreover, not all landlords have the capital to invest in creating model suites, making this strategy more feasible for larger or more financially stable property owners.

“This approach requires a long-term perspective on leasing,” Jacobs said. “Landlords might incur higher upfront costs, but they are banking on the idea that filling their buildings now will yield benefits in the future, particularly as the market improves.”

“The ability for landlords to offer move-in-ready spaces has become a key differentiator in a market where many companies are looking for speed and convenience,” Jacobs said.