

Calgary office vacancy rates nearing 25 per cent, topping highs set in 1980s recession

CALGARY – Vacancy rates in downtown Calgary, hard hit by the prolonged oil slump and already at historic highs, could be heading to 25 per cent, including in some of the city’s most posh skyscrapers, new reports show.



‘Vacancy is the highest it’s ever been.’ Even with a return to \$100 oil vacancies in Calgary will not be absorbed for years, says Barclay report.

An office report from Barclay Street Real Estate pegs the city’s current downtown vacancy rate at 22.1 per cent, but notes that skyscrapers still under construction could push the rate to 25.6 per cent next year and 26.4 per cent in 2018.

“Vacancy is the highest it’s ever been,” said Kris Hong, an associate at Barclay Street.

“Even if oil hit US\$100, all the vacancy that’s on the market is not going to get absorbed for at least two or three years.”

The current vacancy rate has already surpassed the highs set in the recession of the 1980s, when the rate hit 22 per cent.

A separate report released by Re/Max Commercial last week similarly shows the impact of company “downsizing” and said the downtown vacancy rate was approaching 25 per cent as far back as July.

Re/Max regional executive vice-president Elton Ash said his company doesn’t see “any kind of significant recovery for at least 18 months.”

Calgary is home to the second-most company headquarters in Canada, following Toronto.

While the vacancy rates are highest in less desirable, “B-class” buildings, there are hundreds of thousands of square feet available in the city’s top office towers.

Tenants are looking to sublease 17 floors in the Bow, Calgary’s iconic 57-floor crescent-shaped tower that had been the tallest skyscraper in the city until recently, meaning 29 per cent of the building is available.

Cenovus Energy Inc. has put 13 floors of the building on the market. Meanwhile, a spokesperson for Encana Corp. confirmed it is “exploring the market interest for four floors of office space in the Bow tower.”

Both Calgary-based companies had recently consolidated staff at the Bow who had been working in other buildings across downtown.

“We still, even with our staff count currently, cannot fit in one building, so the intent is to move to a two-building strategy, and that’s Brookfield Place and the Bow,” Cenovus spokesperson Reg Curren said.

Cenovus is the anchor tenant in the new Brookfield Place building, which is still under construction, but stands taller than the Bow.

“We did commit to new space at Brookfield and we have now an excess of space given what’s happened in the market and we’re trying to make the most efficient use of the space that we have,” Curren said.

Barclay Street’s Hong said he was encouraged by a recent Calgary Economic Development initiative intended to attract new companies and new head offices to Calgary by highlighting available talent in the city, given the high number of unemployed professionals and dropping real-estate costs.

Still, he said he wasn’t convinced the program will quickly correct the glut of available space in the city.

The Alberta government and Western Economic Diversification Canada pledged a total of \$3 million to help Calgary Economic Development attract new corporate headquarters to the city last week.