



Geoffrey Morgan  
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## Calgary's vacancy rates expected to jump again as ATCO moves its headquarters to the suburbs

*The move is expected to increase the vacancy rate in the Beltline by 4.5 per cent, bringing the area's commercial vacancy rate up to 25 per cent – which would be identical to neighbouring downtown Calgary's current vacancy rate.*

CALGARY – Already sky-high vacancy rates in central Calgary's commercial real estate space will rise further as ATCO Ltd. plans to move its head office out of the city centre by the end of the year.

The Financial Post has learned ATCO will relocate staff at two buildings in Calgary's Beltline, an urban district home to office buildings and condominiums on the southern edge of the city's downtown, to a newly built headquarters in the city's southwest.

ATCO spokesperson Leanne Madder confirmed the move is designed to bring the company's employees together from multiple locations to one campus-style headquarters, which has been rising in a newer business park near Mount Royal University, by the end of the year.

"Some of our people have already started to move over to the new building," Madder said. "We have all of our different business units and we're trying to bring them all under one roof. It's going to be a more collaborative space."

The ATCO Group is a holding company with business units in power generation and gas distribution to industrial and energy services. The conglomerate owns the two buildings that currently make up its head office in the Beltline but, sources told the Post, those offices have been put up for sale.

As ATCO is a major employer in the city with a big presence in the area, the move is expected to increase the vacancy rate in the Beltline by 4.5 per cent, bringing the area's commercial vacancy rate up to 25 per cent – identical to neighbouring downtown Calgary's current vacancy rate.

Barclay Street Real Estate noted in a recent report that vacancy rates in Calgary's downtown core has increased for 11 straight quarters and stood at 25 per cent in the third quarter of this year, as energy companies have downsized during the prolonged oil price slump and as new buildings add to the stock.

As a result, net rental rates in the city's toniest office towers have steadily fallen, from close to \$29 per square foot in the middle of 2014 to roughly \$19 per square foot in the third quarter of this year, according to property consultancy CBRE Group Inc.

Telus Sky, an under-construction skyscraper in the central core, will add a further 460,000 square feet of office space to the glut of available real



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estate downtown Calgary and would cause a further spike in downtown vacancy rates.

The vacancy rate in the Beltline, which is dominated by office buildings under 20 floors, has risen but had not approached the same level as the downtown vacancy rate during the prolonged downturn in Alberta.

The glut of available space in the middle of the city has led to other projects being cancelled. In the Beltline, developer Centron halted construction on a new office building as vacancy rates in the area rose.

Market conditions could make it difficult for ATCO to either sell or rent out its buildings in the area.

Barclay Street's most recent report said tenants in the area have been offered incentives, like low-rate month-to-month lease extensions, and landlords "remain motivated to be aggressive in keeping existing tenants."