

Construction work slows in Calgary as recession delays office tower projects

CALGARY – Construction crews have boarded up the skeleton of a partially built office tower in the middle of Calgary as real-estate developers slow or stop projects amid a glut of available commercial space.



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Alberta's recession has pushed Calgary's downtown office vacancy rates up above 20 per cent and industry veterans say that new commercial towers could further inflate vacancies in the centre of the city, which had a vacancy rate of 21 per cent at the end of the second quarter.

Barclay Street Real Estate recently forecast that new developments could push downtown office vacancy rates up to 24 per cent in 2018, and office vacancy rates in the adjacent Beltline neighbourhood could climb to 19.6 per cent over the same period. The vacancy issue has driven down prices for tenants — “There's never been a better time to look at space than right now,” Barclay Street associate Bill Falagaris said — but has forced developers to reconsider projects that are planned, and completion dates for office buildings that are already under construction.

Real-estate development companies have slowed projects that have broken ground, or in the case of a twin 14-storey office tower development, stopped work altogether after pouring concrete to form the underground parking garage and first floor.

The developer, Calgary-based Centron Group, did not respond to a request for comment, but industry sources say the company has put the project, called Place 10, on hold until more of the building is pre-leased. For now, plywood covers many of the empty frames of windows on the first floor and wooden boxes have been built to cover exposed rebar sticking out from the top of the first floor, reaching up to floors that have been delayed.

A few blocks north, in the heart of downtown, work continues on the 60-storey Telus Sky skyscraper that will contain both office and condominium space. The project had been scheduled for completion in 2017, but is now expected to open the year after.

“Telus Sky remains on schedule to be open to the public in the fall of 2018,” Telus spokesperson Liz Sauvé said in an email, adding that the date changed to “allow for greater construction efficiency.”

Construction on office developments that were commissioned on spec, or without major anchor tenants, have either stopped or been slowed in Calgary and across the province.

“Most of those buildings, if not all of those buildings, have been halted,” said Paul Verhesen, president and CEO of Edmonton-based Clark Builders and chair of the Alberta Construction Association. “You're seeing that in both Calgary and Edmonton.”

He said that project delays are hurting construction workers. In a fiscal update delivered this week, the Alberta government reported 11,000 construction workers have lost their jobs in the province in the last year.

“Our industry is about a year behind the rest of the economy,” Verhesen said. Construction projects are usually multi-year undertakings so developments started before the oil price collapse are on track to finish, but the outlook for new developments looks bleak.

Asked whether or not half-finished developments could sit boarded-up for at least the next year or more, he said, “That's a real possibility.”

Sandy McNair, a real-estate analyst and data curator with Altus Group, said it's unusual, but not unprecedented during recessions, for developers to halt projects that are already under construction.

He said there are 15 office buildings currently under construction in Calgary and, except for Place 10, all of them are expected to be finished rather than mothballed.

However, McNair added, there are 39 office developments proposed, in the middle of pre-leasing work or scheduled to break ground that will not be commissioned in the short or medium term.

“None of those are going ahead,” he said. “There are delays on the pipeline of future projects.”