

Downtown Calgary retail businesses rapidly closing as layoffs, oil prices take their toll

CALGARY — Storefronts in downtown Calgary are closing at a significantly faster rate than similar retail spaces in the suburbs in yet another sign of oil price collapse's wide-ranging effects.



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A recent report from Barclay Street Real Estate pegs the vacancy rate for retail spaces in the city's downtown core at 11.1 per cent, more than twice the city's overall retail vacancy rate of 3.3 per cent. It's also up sharply from 5.5 per cent at the same time last year.

The uptick in retail vacancy rates follows thousands of layoffs downtown Calgary through the prolonged oil price downturn and an elevated office vacancy rate – recently estimated by multiple real estate brokerages in excess of 20 per cent.

Since there are fewer people working downtown, there are fewer people to patronize the area's restaurants and shops.

“With all of the office vacancies, it's directly correlated with retail's ability to survive,” Barclay Street retail associate Amy McGregor said Monday of the closing storefronts and restaurants.

“It's the high-end restaurants that are struggling and the mom and pop restaurants,” McGregor said.

One such example is the Trib Steakhouse, a once-popular Calgary eatery in the centre of the city, which shut its doors in April.

Ron Salverda, the president and CEO of CA Restaurants, which owns multiple eateries including the Trib, said foot traffic in front of the restaurant was down roughly 40 per cent. He said the decline in the numbers of customers, paired with increased property taxes and an impending minimum wage hike, contributed to the restaurant's closure.

The majority of the empty retail space in the city, 54 per cent, is street-facing, store-front property such as the Trib, even though such space makes up only 13.9 per cent of the total retail space available in Calgary.

Maureen Atkinson, senior partner, research insights with J.C. Williams Group Global Retail Advisors, said there hasn't been “a wholesale closing of stores” in the city and that she believed “retail was holding up well” in the face of the downturn.

McGregor said that retail vacancy rates normally follow an uptick in office vacancy rates in central business districts. She said that commercial real estate brokers had known the uptick in retail vacancies was coming as large oil and gas companies have been laying off staff and smaller firms have filed for creditor protection. However, the effects of the layoffs had not shown up in the vacancy rate data until recently.

Asked whether there was too much retail space in downtown Calgary, McGregor said she did not believe the city was “overbuilt for retail.”

However, she said she expects more store fronts to close downtown and the retail vacancy rate to increase “a bit more” in the coming months if oil prices do not recover.

West Texas Intermediate oil prices climbed 1.3 per cent mid day Monday to US\$49.28 per barrel – a long way from the US\$100 per barrel prices from June 2014, when more retail shops were opening than closing in the city centre.