

COMMERCIAL REAL ESTATE

# Tenants gain edge in downtown Calgary office market

LAUREN KRUGEL

CALGARY — The Canadian Press

Published Thursday, Apr. 23 2015, 2:29 PM EDT

Downtown Calgary's commercial real estate market is swinging in favour of tenants as more office space gets freed up in the white-collar heart of the oilpatch.

Weak oil prices have caused companies to cut their head counts in recent months, pushing vacancy rates into the double-digits.

Dan Harmsen, vice president at Barclay Street Real Estate, said tenants have more negotiating power and options these days. Some subleases are becoming available that simply ask that the space's operating costs be covered.

Mr. Harmsen said it's a healthy trend in what's been an expensive market.

"We're just seeing a fundamental market correction like we've seen time and time again in Calgary," he said. "We're just entering a more balanced and fair market."

Even still, Mr. Harmsen said there's been some hesitation on the part of tenants to pull the trigger on deals because they're waiting for the market to drop further.

"Nobody rings a bell at the bottom or the top, but I think we're closer to the bottom than we are to the top," said Mr. Harmsen.

Barclay Street's first-quarter downtown market report said the vacancy rate was 10.3 per cent, up 2.83 per cent from the fourth quarter of 2014.

About 75 per cent of downtown Calgary tenants are in the oil and gas industry, said Joe Binfet, managing director at Colliers International.

"As oil prices go, so goes the market for downtown office space," he said. "What we're seeing is an abundance of sublease space coming onto the market."

There's not been as much of an impact in Calgary's suburbs, where a more diverse array of companies have their offices, whether they're in tech, health care or insurance.

A recent report by Colliers said the current downturn "has not yet run its course" and that higher vacancies are likely to continue. Nexen, Talisman and ConocoPhillips have announced hundreds of layoffs, but that sublease space has not officially hit the market yet, it said.

Collier's first-quarter market overview registered a 10.67 per cent vacancy rate, versus 8.53 in the previous quarter.

Mr. Binfet said tenant clients haven't been in a rush to snap up leases, but over the past two weeks his firm has been showing more people around.

"We're encouraged by the fact that people are starting to make decisions on space, whereas two months ago they were paralyzed and not making decisions at all."