



## SPECIAL REPORT: MY CALGARY

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Dan Harmsen, partner and associate broker Barclay Street Real Estate Ltd., walks through a vacant floor of a commercial building at 622 5 Ave. S.W. JENNIFER FRIESEN

# Creative approaches to get more head offices into Calgary

### COMMERCIAL PROPERTIES

## Competitive rates, low vacancy may benefit long run

Christy Nich

There was a famous bumper sticker a few years ago proclaiming if Calgary had another oil boom that we would promise not to take it for granted. Obviously, we've had slumps in our oil based economy before and have managed to get through it. It's just that it hurts while it's happening.

City of Calgary property assessments were sent out this month and taxes are expected to rise, even though home values have dropped annually.

Yet, according to CREA statistics for Calgary housing sales in December 2016, there was a 6.4 per cent average price increase over 2015, but CREB defines average as the "total dollar sum of all sold prices divided by the total number of units sold" so the luxury market skews these figures.

CREB is optimistically, but cautiously, predicting a three per cent gain city wide over

2016 sales, but say it's a 12 per cent drop below long term averages. Our economy depends on oil production and when the price drops, we're all affected.

Vacancy rates of 24 per cent in the downtown core are the highest they've been since 1984, the last major 'bust' in the energy sector. Dan Harmsen, partner and associate broker for Barclay Street Real Estate, says this only reflects "listed properties" and that actual numbers are much higher, at about one third.

It's not all doom and gloom, though. For example, more creative approaches for smaller, non-resource based companies to share spaces at a heavily discounted price, or for business that want to be more centrally located to move downtown. And, with more competitive rates, combined with lower housing costs, Calgary is a more attractive option for businesses to move their head offices to Calgary. Leases can be negotiated for any length of time; it's a renters' market. CREB agrees that our current commercial vacancy rate, which is driving the rental costs down, may have beneficial spin-offs in the long run.

"High office vacancy rates, combined with salary adjustments from a larger pool of

available workers and housing options, could encourage some companies to consider relocating to Calgary. While this is unlikely to have any immediate impact on our economy, it could provide the basis to support economic diversification".

In the meantime, the process where landlords of commercial properties were adding taxes their tenants' lease rates to cover the property taxes, is now leaving the burden of paying these taxes on the owners and Harmsen says it's counterproductive for businesses.

"The valuation of downtown office buildings is half of what it was three years ago, which means the City collects less revenue based on their taxes" adds Harmsen "and yet commercial landlord's taxes have gone up by 12.5 per cent in the last two years".

The bottom line is that the average Calgarian is going to have to tighten their belts, temporarily.

You'll pay more to ride transit unless you buy low income or seniors' passes. Water rates have gone down slightly, while waste water and drainage fees have gone up. You'll have to fork out more to stay active with increased costs to swim and to use City of Calgary recreational facilities, too.