

MEG seeks to sublease unnecessary office space

Vacancy rates at historic highs as oil and gas companies lay off staff

MEG Energy Corp. needs less than half the office space it is on the hook for in downtown Calgary after it paused its ambitious growth plan last year.

MEG, which recently moved its headquarters into a newly built office tower, has hired JLL Commercial Real Estate to sublet 307,000 square feet of space it no longer needs. The space is spread between its new office, where MEG is trying to sublease six floors, and its old office, where the company is looking to sublet nine floors.

The oilsands producer did not respond to a request for comment, but the move follows similar attempts by competing energy companies to off-load unnecessary office space. The city's downtown vacancy rate is now 19.5 per cent, up 2.2 percentage points from last quarter, according to Barclay Street Real Estate estimates. It said by 2018, the vacancy rate could be close to 24 per cent.

More and more office space in Calgary is sitting empty as oil and gas companies lay

off staff to survive the ongoing oil price collapse.

Cenovus Energy Corp. president and CEO Brian Ferguson confirmed to the Financial Post in the first quarter that the company is weighing its options and looking to sublease space it doesn't need downtown. Cenovus is poised to move into a new office tower called Brookfield Place, which will eclipse the Bow, Cenovus' current headquarters, as the tallest in Calgary when it is complete. The company also has leases at other office towers downtown.

MEG had signed a lease for roughly 300,000 square feet before oil prices collapsed, when the company was still growing its head count every year. Between 2010 and 2014, the company more than doubled its workforce from 270 employees to 685 employees. The company laid off about 70 people over the course of the oil price rout in 2015, and is now looking to



More and more office space in Calgary is sitting empty as oil and gas companies lay off staff to survive the ongoing oil price collapse.

shrink its office space back to the size it was, about 197,000 square feet, before the collapse began. The Barclay Street report said Shell Canada is offering more than 183,000 square feet, and Penn West Energy has 73,000 square feet available.

Vacancies are at historic highs, with eight million of the downtown area's 41 million square feet of office space available and subleases making up close to half of what's on offer, it said.