Report on Business

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S&P/TSX 10,290.12 -298.67
Dow 8,675.28 -65.59
Oil 66.12 -2.43

way down the chain to auto parts makers.

The numbers don't reflect, for example, the closing of GM's Oshawa truck plant last month, which wiped out 2,600 jobs directly in Oshawa,

many years before it comes back and we're thinking in every way, can we create more jobs," Mr. Stronach said.

"Our preference would be to [build electric cars] here in Ontario," he told reporters

ownership of a vehicle company by leading a bid to take over Adam Opel GmbH, the largest GM operations in Europe. Magna will own about 20 per cent, but the prospect of Magna owning a piece of

much trading going on right now between the car companies."

MAGNA INTERNATIONAL INC.
Close: $35.35, up 55¢

DEVELOPMENT

Calgary headed for office real estate crisis

BY NATHAN VANDERKLIPPE CALGARY

The city that most personified the exuberance of the commodities boom is set to lose its crown as the most expensive office market in the country.

Calgary will likely cede the priciest spot to Vancouver next fall, as a looming glut of supply – including a one-million-square-foot tower currently under construction that has yet to lease a single tenant – threatens to send its vacancy rate soaring to 18 per cent by 2011, according to an analysis by CB Richard Ellis Inc., the world's largest commercial real estate services firm.

Vancouver, by contrast, currently has a 3-per-cent downtown office vacancy rate, and no new construction under way, making it the most likely Canadian city to keep its rental rates high.

"It bodes well for landlords to be able to maintain rent," said Bill Elliott, a principal at Avison Young Commercial Real Estate in Vancouver. He said the most expensive title could actually move to Toronto because of that city's high operating and tax expenses.

"Could you see potential migration for some head office activity to look from Toronto to Calgary? The answer is yes," he said.

What's clear, however, is that Calgary is headed toward a office real estate crisis not seen since the early 1980s.

Propelled by rising oil prices and vacancy rates that dipped below 1 per cent, Calgary soared to the most expensive slot – and 31st in the world, ahead of Brussels, Singapore and Shanghai – in the fall of 2006.

In yesterday's report, CB Richard Ellis found that the city remains 39th in the world – a bump of three spots from last year – but Greg Kwong, Calgary-based regional managing director for CB Richard Ellis, said it will be short-lived.

"It's sort of like the calm before the storm," he said.

Calgary has 33 million square feet of inventory, but another 5.3 million square feet currently under construction. Its vacancy rate currently sits just under 7 per cent; with all of the new buildings, the total number of vacant square feet could soar to nearly seven million by October, 2011, CB Richard Ellis estimates.

One building alone shows how severely the downturn has effected Calgary's office space.

Eighth Avenue Place, with 1.1 million square feet under construction, is scheduled to be completed in early 2011.

"But there's no tenants, zero leasing," Mr. Kwong said. "Those are the buildings that are going to swing this market probably to the downside."

Colliers International, which is building Eighth Avenue, remains confident it will find tenants for its building, which among those being built is second in size only to The Bow, the 1.9-million-square-foot tower that will serve as headquarters to EnCana Corp.

"There's a lot of tenants that need to make a move in this city and, if history proves correct, new buildings always lease up quicker than old ones," said Randy Fennessey, Colliers Calgary president.

And if oil stages a dramatic resurgence – as it has in recent weeks – forecasts could prove overly gloomy.

Still, there is evidence that Calgary is falling fast. Companies searching for space have begun demanding severely truncated leases, in hopes of cashing in on the expected fall in rates by 2011, and sublease rates have already tumbled about 25 per cent this year.

"You're going to see a lot of sublease space on the market, and that usually puts downward pressure on rental rates," said Randy Magnussen, executive vice-president at Bentall Capital. "We'll see a slide to somewhere below Vancouver, certainly," he said.