



Photos, Stuart Gradon, Calgary Herald

Aspen Properties CEO Scott Hutcheson says an appetite for new, quality space will help the Palliser South office tower gain tenants, even as the Calgary market absorbs a flood of construction.

Palliser tower set for tenants

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CALGARY HERALD

When construction on the Palliser South office tower began about three years ago, the city's economy was booming and the downtown core's vacancy rate was minuscule.

Today, the economy is slowly recovering from last year's brutal recession and the office vacancy rate continues to rise.

In this environment, the new 300,000-square-foot, 19-storey Palliser South, just east of the Calgary Tower, is now ready for occupancy, with about 35 per cent of the space already leased.

"The issue with the Calgary market is not so much the demand side of the equation. I think we've got a healthy oilpatch today. We have a royalty review that's making a lot more sense for the smaller guys," said Scott Hutcheson, chairman and CEO of **Aspen Properties**, which developed Palliser South.

"The supply side is obviously the issue, with five million square feet (of new construction) coming on."

But despite the huge amount of new downtown office space either recently built or still under construction at the Bow and Eighth Avenue Place, Hutcheson said, "there will be a flight to quality (from tenants). Newer buildings and larger floor plates will get more tenants in the



The new Palliser South office tower is ready for occupancy.

near future."

Hutcheson said Aspen is comfortable about opening the Palliser South building at this time because of its location at 10th Avenue and 1st Street S.E., attached to both the downtown and to the Beltline.

Aspen Properties also owns on the same block One Palliser Square, Tower Centre and the Calgary Tower.

Also in the works are proposed office towers on each side of the Calgary Tower. A development permit is

in place for that project. Hutcheson said that, in time, the whole block would look similar in its architecture to the new Palliser South tower. One Palliser Square will eventually get a facelift as part of the overall plan.

Glenn Simpson, a principal with **Avison Young Commercial Real Estate** in Calgary, which is leasing Palliser South, said the building has attracted interest from prospective tenants.

"Now that the building is a little bit more complete and you can walk into it without hard hats, we do have a couple of other groups that are quite interested in the building," said Simpson. "We're hoping that — deals being what they are — by the end of March or middle of April we're much more leased."

Its main tenant, oilpatch company **CCS**, is expected to move in around June 1.

According to research by Avison Young, the vacancy rate in downtown Calgary reached 10.2 per cent at the end of the fourth quarter of 2009, up from 4.1 per cent a year before.

Like Hutcheson, Simpson said potential tenants are looking for new space such as Palliser South.

"We have seen in the last six months that the newer, better buildings such as Palliser South are likelier to get leased."