

Calgary luring foreign investors

City office space becoming 'global market of interest'

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Foreign investors made up a bigger percentage of the city's office market sales last year compared with the previous year, says a report by Avison Young Commercial Real Estate in Calgary.

The 2008 investment review, by the company's research manager, Susan Thompson, said a recent shift in the makeup of the type of investor is a leading indicator of change in our investment market.

And those numbers are "clearly demonstrating that Calgary is a global market of interest," said the report.

Last year, foreign investors comprised 38 per cent of the total dollar volume of sales for the year.

In 2008, there was just over \$1.2 billion in 37 office market sales in Calgary. Of that, four sales were to foreign investors for nearly \$454.7 million.

In 2007, Avison Young said there was just over \$2.1 billion in 53 office sales. Foreign investment comprised 20 per cent of the market with two sales for just over \$421.4 million.

"It was indeed a very busy year last year," said James Miller, a partner with Avison Young in Calgary. "It was a robust year.

"And much like most of the world, it ground to a halt in the fourth quarter and our domestic buyers weren't buying and not surprisingly our foreign buyers weren't buying."

But Miller said the investment



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James Miller, partner with Avison Young Commercial Real Estate, says the market for office real estate is starting to thaw.

market is starting to "thaw from the proverbial freeze."

"We are hearing the early signs of not just our domestic folk but our international friends coming back to the marketplace. At least exploring again."

The numbers for Canada speak resolutely that it is a reasonable place to invest despite the choppy waters of the world, said Miller.

"A lot of these funds continue to have money pour in. The investment world is not a static world. So when there are dollars to invest, you have to choose your best options on the day provided with the information

you have. And Canada generally is viewed as a stable, solid investment venue," for both foreign and domestic money.

Since Christmas, there has been investor interest from the United States, Asia and the Middle East, said Richard Pootmans, business development manager of real estate for Calgary Economic Development.

"These are typically firms or investment funds that are at least to some extent resilient to the current financial market turmoil and they're seeking opportunities in cities around the world," he said. "Investors with a long-term horizon are drawn to

the enduring potential of our energy supply ... and what that implies for the real estate values in that long-term horizon," he said.

"In the past, Calgary has been competing with larger American cities for investors seeking liquidity in their investments. As Calgary's profile rises in the world, some investors are perceiving an enhanced level of liquidity here and they're more encouraged to consider investments here."

Pootmans said he is seeing interest in the office market, in highrise residential and in the commercial sector in general.

The overall level of interest in real estate in this city is probably down a bit, but the quality of calls Calgary Economic Development is receiving is very high, from major corporations that are seeking facilities here to financial investment firms, added Pootmans.

"The people that do not have robust business models are finding it difficult to open facilities in this market. Those that have strong business models are doing well and are very intrigued by the opportunities that this downturn offers them," he said.

The Avison Young investment review for 2008 said private investor activity in the office market was down last year in both dollar volume and number of sales — \$288 million for 15 sales. In 2007, that component was \$515 million for 22 sales.

"The root cause of this is the collapse of the financing/credit market and the extreme level of difficulty in securing even a portion of the levels of financing seen in recent years," said the report.

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