International real-estate investors flock to Calgary

City's thriving resource sector one of many draws

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The strength of Calgary's economy and growing concern about a possible U.S. recession are attracting new investment from international buyers, says a commercial real estate report by Avison Young.

"Calgary is an appealing market in which to invest," says the Calgary Investment Review 2007 year-end report. "Economic and political stability combined with the strength of Canada's resource sector and its appreciating currency makes Calgary an exceptionally attractive market.

"As a result, institutional and private investors from Australia, the U.S., Europe and Asia are turning their attentions to our market. As currency values continue to rise, so too does the value of these countries' portfolios."

The report, put together by Susan Thompson, research manager at Avison Young Commercial Real Estate (Alberta) in Calgary, said that as recently as 2003, the total dollar volume for sales of office, retail, industrial, multi-family, residential land and ICI (industrial, commercial, institutional) land combined had not exceeded $2 billion. In 2007, the office investment sector alone exceeded $2 billion and the overall market came close to reaching $5 billion for those sales (excluding transactions valued under $2 million).

"Calgary is still being viewed as a market of opportunity and it continues to bring in a steady flow of investors," said the report. It said Calgary is recognized as the strongest market in the country and international investors, institutions and private syndicates have all placed a focus on the city.

"The outlook remains extremely positive for the underlying strength and stability of our economy and will continue to make real estate in Calgary a prudent long-term investment," says the report.

The 2007 sales reflect the "rotation of new believers in the market, supporting values, the vendors have been from all walks, whether it's been institutional, private equity," said James Miller, a partner with Avison Young in Calgary.

"There have been more types of buyers by virtue of REIT's (real estate investment trusts)," he said.

"This year, we will see the institutions, the private guys, the pension funds continue to be the dominant groups and REIT's will sit on the sidelines by and large."

Miller said a number of Calgary projects have gone international.

"The attraction of bigger assets brings more money. So when you're in a $200-million and above asset type . . . in Calgary, it's now getting the attention of big players," he said. "And that is a bit of a compliment to the oilpatch. We're following the footsteps of a very established international oil and gas market. When you get such familiar names on a rent roll to an international clientele or a cross-border clientele, it's a maturing market.

"(Calgary) is a very strong long-term view. And when people are putting half a billion dollars in New York, or London, or Dubai, this is not an unfamiliar stop any longer. This has Canada's second-most head offices. This is a major asset marketplace."

The major elements of Calgary's economy -- including robust consumer spending, low unemployment and a strong energy sector -- are extremely attractive to outside investors, said Bruce Irvine, vice-president for business development and retention at Calgary Economic Development.

"(Calgary's) growth rate has been in the top five in Canada for the last 10 years. When you're that consistent, that's a stability and an excitement that gets investment to look at this direction," he said.

Also, vacancy rates in all commercial real estate markets in the city remain at very low levels.

"For every product that we can develop, our vacancy is low. That puts an upward pressure on the prices. So in short, you've got high rents, low vacancy. You can't have a more attractive mix than that," said Irvine.

According to the Avison Young report, total dollar volume in property sales across all assets was $4.7 billion in 2007 on 372 transactions -- the highest ever recorded. The dollar volume was up $1.4 billion (43 per cent) from 2006, and up $2.4 billion (103 per cent) from 2005. Total sales were also up 47 (14 per cent) from the previous year and up 122 (49 per cent) from 2005.

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