

# The man who bought the Calgary Tower

Scott Hutcheson picks up the tower in a \$150-million deal that includes 'a piece of the downtown's future.'

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Real estate entrepreneur Scott Hutcheson knew he wanted to buy the landmark Calgary Tower as soon as he found out the unique property was for sale.

"It was easier than buying a tie for me in some ways," Mr. Hutcheson said last week, just back from signing the closing papers for the needle that has marked the Calgary skyline for close to four decades.

"Of course it wasn't easier when we got to the price part," he adds, smiling. Mr. Hutcheson, 46, is the chief executive officer of privately held Aspen Properties Ltd. Last week, the Calgary firm became the latest in a string of owners of the tower and its surrounding property, picking it up in a deal worth more than \$150-million from Toronto-based KingStreet Capital. Aspen paid the hefty price to top the offers of five other bidders in the final round of an auction that attracted about 25 tire kickers at the start last fall.

Aspen's eagerness to get the site, located on the edge of the city's central core nestled just north of the railway tracks, was driven by a belief in the continued growth of Calgary's booming economy and the strength of the office market, Mr. Hutcheson said.

In addition to the Calgary Tower, the deal includes a mid-sized office building that could be moved up-market and fetch higher rents with some renovations, he said. It also includes one of the largest parking garages in the downtown, a real plus in a city where empty lots are being eaten up by new developments. The site also has the potential for two and possibly three additional office buildings.

"I'm buying a piece of the downtown's future," Mr. Hutcheson said. "I love the future of the downtown."

He is not alone.

With oil and gas companies bursting at the seams, the tightest rental market in North America and rents that are jumping by leaps and bounds, several real estate companies are in love with Calgary.

That affection is turning some landlords — including Mr. Hutcheson — into developers, as well. Five office buildings are currently under construction and several others are waiting in the wings. Those projects include a large new home office for EnCana Corp., as well as a major office building planned by



CHRIS BOLIN/THE GLOBE AND MAIL

Scott Hutcheson, CEO of Aspen Properties, stands on the observation deck of the Calgary Tower. 'It was easier than buying a tie for me.'

## Towering deal

**What:** The Calgary Tower  
**The buyer:** Calgary-based Aspen Properties Ltd.  
**The seller:** Toronto-based King-Street Capital  
**The price:** More than \$150-million  
**The location:** Downtown Calgary  
**Deal includes:** The Palliser Square Complex, which includes a 371,505-square-foot, 27-storey office building, a 247,125-square-foot office and retail building, a 1,374-stall above-ground parking lot, two potential office tower developments, a residential development site



PHOTO: LARRY MacDOUGAL/THE GLOBE AND MAIL

Aspen as part of a joint venture with Cadillac Fairview, the real estate arm of the Ontario Teachers Pension Plan. And Mr. Hutcheson's latest purchase could add as many as three more buildings.

Last month, the value of non-residential permits in Calgary soared by 29 per cent from the same time last year, rising to \$112-million.

There are high stakes involved in any development play, risks that, up until quite recently, few companies or investors were willing to shoulder. The tenant demand in the Calgary market, where the of-

fice vacancy rate is about 2 per cent, make the idea of building a tower a much less scary prospect than it used to be, Mr. Hutcheson said.

Indeed, at the end of 2004, the city's first new office project began without a single tenant signed up. That project, which now includes two 21-storey towers, is just across the street from Aspen's development site with Cadillac Fairview and is south of the Eau Claire Market. It will be completed next year.

Mr. Hutcheson said the decision by the first project's pension fund owners to build on spec has turned

out to be a very smart move, but it's still not a risk he is ready to take.

Today's developers, he argues, are more cautious, thanks to several factors, including lenders who do not want to relive the last real estate meltdown in the 1990s, when they were left with major loan losses on their hands. "Everybody got stung so badly the last time," Mr. Hutcheson said, that development became a bad word.

The result, he said, is that building office real estate has become something of a lost trade. "There are not a lot of us left who are willing to take the risks."

But the conditions in Calgary, he believes, are ideal for some calculated risk-taking.

Mr. Hutcheson's own love affair with Calgary began eight years ago, when he decided it was the ideal place to start a real estate business.

A native of Huntsville, in the heart of Ontario's cottage country, Mr. Hutcheson went to the University of Utah on a skiing scholarship before he found his way to Wall Street, working 100-hour weeks as a new recruit with investment banker Goldman Sachs.

Mr. Hutcheson followed in the steps of his brother Blake, head of CB Richard Ellis in Canada, and returned to business school to specialize in real estate. He worked in a number of jobs in the United States before deciding to move his family in the late 1990s to Calgary. "I liked

the prospects," he explains.

A member of Canada's national ski team from 1978 to 1982, he said it also didn't hurt that the mountains were nearby.

Mr. Hutcheson and Aspen's chief operating officer Greg Guatto began building their company by focusing on properties that were in need of improvements and did not attract the interest of well-financed institutional investors.

Their holdings, which, with the Calgary Tower, now total 12 sites in the city, are mostly low or mid-size buildings, known as "B" buildings in the industry. They include the Ford Tower on 6th Avenue SW and the Canadian Centre on 4th Street SW, where Aspen has its head office.

A few years ago, it began buying properties in Edmonton, a city where rich pension funds were not investing. Aspen has three prime buildings in that city, a move that has paid off now that property values are skyrocketing and demand is rising.

Mr. Hutcheson is not fooled into thinking that the current energy-driven boom will last forever. Calgary's fortunes, he believes, are still cyclical, but given the strength of the oil sands, he figures this current ride will last at least another three to four years. If he's lucky, he says, it will last for 10.

"I assume in the next decade I'm going to be ahead of the curve."