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SCOTT HUTCHESON,
CALGARY INVESTOR

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Scott Hutcheson, president and CEO of Aspen Properties Ltd. stands outside Eau Claire Place II which is now owned by his Calgary firm.

City investors hoping for capital gains

Aspen targets Edmonton potential

RON CHALMERS

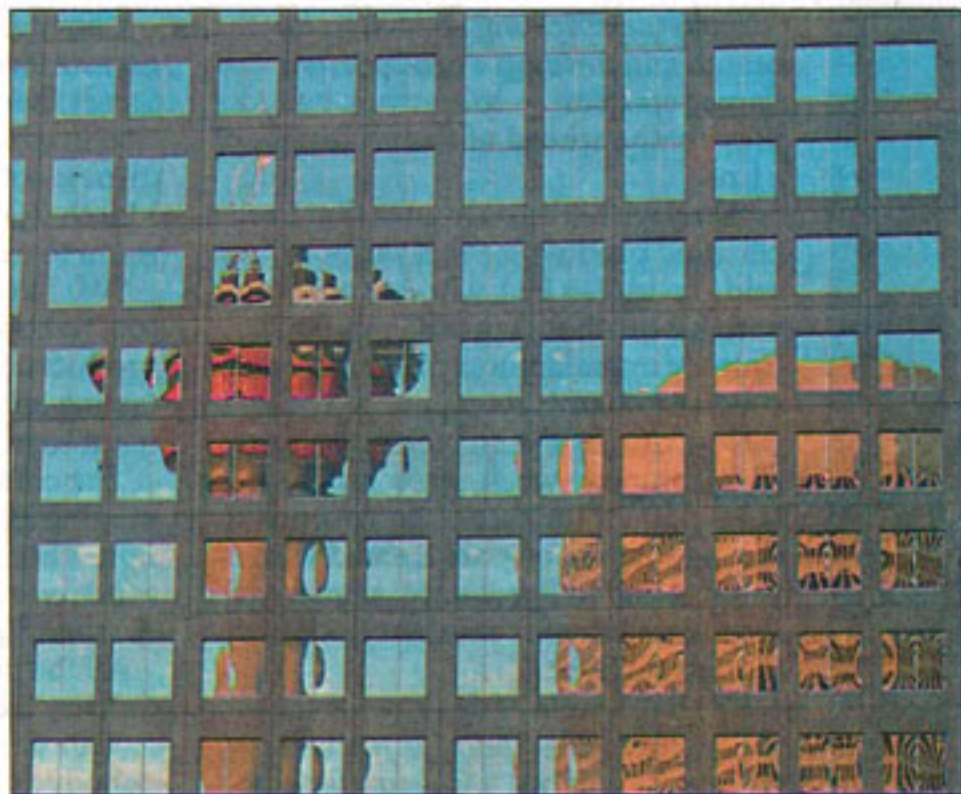
THE EDMONTON JOURNAL
EDMONTON

Calgary investor Scott Hutcheson saw Edmonton office space as seriously underpriced so he bought three buildings — and led the trend to higher rents.

“We decided that Edmonton was a great opportunity, and we came in and purchased a big piece of the downtown,” says Hutcheson, president of **Aspen Properties Ltd.**, which he co-founded with three partners in 1998.

The company bought 16 buildings in downtown Calgary, including the Calgary Tower — then turned to Edmonton. Aspen bought the ING Building in 2003, a half interest in Scotia Place in 2004 and the Allstream Tower in 2005.

In the three years since As-



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Aspen Properties Ltd. owns several local office buildings, including the The Calgary Tower, seen here in a reflection.

pen arrived, Edmonton's downtown office vacancy rate has dropped from almost 12 per cent to under six per cent.

“Aspen's timing was impeccable,” says Alan Menon, a commercial realtor with **CB Richard Ellis**.

As leases were renewed, Aspen raised rents — and inspired other owners.

“They have been very bullish,” Menon says. “They started pushing and all the others jumped on board.”

Some Calgary offices rent for \$40 per square foot per year, so Hutcheson could see that Edmonton was underpriced.

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FROM E1

ASPEN: Edmonton ready when Calgary 'bursts seams'

"When we started to purchase, with \$7 base rents, it was clear that there would be a shortage within five years," he says.

Vacancies fell steadily until, suddenly, downtown Edmonton was almost full.

"In the last two months, we have seen four or five leases done in excess of \$20," says commercial realtor George Dawson of Colliers International.

"Previously, that was unheard of. Six months ago, the benchmark would have been probably less than \$14."

Today's rents still are below the \$25 to \$30 that developers say they would need to start new construction.

Aspen's aggressiveness has helped create "a new mindset" among owners, Menon says.

"It used to be that one would undercut the other, but now it is almost a race to raise rates."

Hutcheson, a member of the Canadian Alpine Ski Team from 1978 to 1982, agrees that his attitude is contagious.

"We were optimists, and when we started to talk about what we saw, a light went on with many others."

Local landlords and tenants had suffered "20 years of lethargy," he says.

"We came in with a very different outlook. We started to talk about what we saw, and said, 'Wake up, guys.'"

But in real estate — as in ski racing — cheerleading alone doesn't define reality.

"All we did was vocalize what a great place Edmonton was and would be," Hutcheson insists. "I'm not sure that

our presence changed the market dynamics. We did not change supply or demand."

The Edmonton economy is spurred by support services to northern oil-sands, exploration, diamond mines and pipelines — but Hutcheson also sees another angle.

"Within the next decade, Calgary will burst at the seams and costs will go up," he predicts.

"Edmonton will become a great alternative for a lot of business and back offices."

Demand for downtown space will soon exceed our small supply.

Compared to Calgary's 30 million square feet of office space, "Edmonton is quite a small downtown market, with only about 13 million square feet, including government," Hutcheson says.

But Edmonton's economy has been growing strongly for five years — so why have rents escalated only with the recent arrival of a Calgary company?

"Sometimes it may take somebody who is not local to say, 'Look what is happening here,'" Hutcheson says.