

Dirt and air are now most valuable real estate

Developers call it “buying dirt” but there is nothing cheap about the land deals that now dominate the commercial real estate markets in Vancouver and Calgary.

Last year in Calgary, the “ICI” land market – that is land for commercial and industrial construction – recorded 90 transactions worth \$479 million. The prices are eye-popping. A real estate investment trust paid \$7.1 million an acre for one commercial site and the **Calgary Police Association** paid the equivalent of \$11.8 million per acre for two building lots. The old **Metro Ford** site sold for nearly \$8 million per acre.

As for residential land, Calgary sales in the past two years totaled nearly \$1.4 billion, with prices ranging up to \$7 million an acre and larger tracts of land selling for more than \$47 million.

As high as Calgary prices appear, they are overshadowed by the activity in Metro Vancouver, where land sales topped the

commercial real estate market in 2013 for the second year in row.

The prices being paid for land – mostly infill sites – show that developers are confident that property prices will continue to escalate for what is already Canada’s most expensive real estate.

Consider this: a developer paid \$110.5 million for a 12-acre site in Burnaby for a projected mixed-use commercial and residential site. On Cambie Street, a private investor paid the equivalent of \$24 million per acre for a half-acre building lot. In Coquitlam – a suburb that will soon be linked to the Skytrain transit system – a developer snapped up four older houses to assemble five acres for a medium-density residential project. The price worked out to more than \$3 million per acre. And, in downtown Vancouver, investors bought the 2.9-acre **Canada Post** site – where the existing old post office will be demolished – for \$56 million per acre.

In all of these cases, the developers aren’t buying just land: they are buying the

air above it, which can be worth much, much more.

Last year in Metro Vancouver dirt and air sold for more money than all the existing offices, industrial buildings, hotels and apartment building sales combined.

The record-high prices being paid for raw land and infill sites show a rich confidence in the economic future of Western Canada’s largest cities. They are also a harbinger of where real estate property prices are inevitably heading.

NEXT MONTH

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