



Top images: OPUS II (Golder) project by OPUS Corp, bottom images: Quarry Park

Construction Sector Back on Track in 2011

Commercial, residential sectors coming back strong in the year ahead, say industry experts

BY BUSINESS IN CALGARY STAFF

Nestled along the Bow River close to major roadways, Quarry Park in the city's southeast is perhaps a microcosm of what's in store for the construction sector in Calgary for 2011. When Remington Development Corp. worked with Cardel Homes on the single-family houses being built as part of this 390-acre mix of commercial, residential and office space, they had to actually limit the number of homes being sold on a monthly basis just to keep up with demand.

Absorption has been so strong for the town houses being built by Birchwood Properties on the site, they were 50 per cent sold before they even had a showhome constructed. "That, to me, is a very good sign," says Cody Clayton, president of Remington. "On the commercial side, we've seen

very good activity," he adds, referring to a recent deal done with Telvent for space on the Quarry Park site and continued activity there.

While construction activity predictably suffered in 2009-10 as a result of the economic downturn, activity is now picking up. Not a lot of huge deals have been announced, but several are in the planning and early discussion stages. In 2011, industry experts say many of those deals will come to fruition.

"I think it'll pick up through the year and into next year and then we'll be on our way again," says Vince Davoli, senior vice president of EllisDon Corp. for Western Canada. Adds Colin Aitken, vice president of construction for Graham Construction in Calgary: "The level of interest across



Stampede Station is a mixed-use project by OPUS Corp

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was a "pause" in 2009, last year saw some activity pick up and the momentum is building into 2011. "We were a little bit concerned as to whether it would pick up again or move forward," says Kovac. "Luckily, it did move forward in our world. The companies that came back to the table first were the privately-owned companies that are small or medium-sized business.

They react faster than public entities."

Opus plans to launch at least two projects this year, likely a mix of retail-medical-office space, and recently completed Stampede Station, OPUS II and OPUS 8 downtown. He remains upbeat about the prospects moving forward. "The first market that came back was retail and the second market that showed significant strength is industrial," he says. "We are in the position today, having signed contracts, that I know we'll do more business this year than we did in all of 2010."

Because of the inherent delays involved with the planning and permitting process, only now is the construction sector beginning to see a turnaround from the recession due to a lag time of anywhere between 12 to 18 months to get projects up and running.

Davoli says his firm has plans for a couple of highrise projects and he expects to see some developers step into the

apartment segment of the market – an area that had been largely ignored in the past decade as developers moved to meet pent-up demand for the condo market.

"I think you'll see apartments on the upswing, but not condos," says Davoli. "When the timing is right, (prospective buyers) can go in to buy something when they're ready. I think people are still a little leery, as they should be. We're not out of the woods yet. They're probably a little hesitant to put big money out for a condo."

He just hopes that the pace of construction in Calgary doesn't heat up too quickly, which could put the sector right back into the same position it found itself not too long ago – not enough people to get all the new projects completed. "Hopefully, it's not as bad as it was during the last spike where we had a shortage of labour," says Davoli.

No matter what Calgarians like to think about having a diversified economy, the reality is that the majority of Calgary's construction sector, like its economy, is heavily reliant on what happens in the energy sector. "We rely heavily on that (industry) as our growth engine," says Clayton. "That's what we're seeing is with the strengthening of the oil market, we're seeing the engineers, service companies and related services – from accountants to lawyers – growing to accommodate that growth happening in the oil sector." **BIC**

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“What we’ve done at Quarry Park is mixed the residential, the commercial – the retail centre – and then the Bow River as our amenity, so we’ve got something different to offer than most,” says Clayton. “That’s keeping with what most of the Fortune 500 companies are used to seeing in other markets, especially in the United States. That’s really what’s driving it.

“The city planners definitely want to see this type of development occur. We’re on the LRT line – we’ve got an LRT stop proposed across the street from us here once the east leg of the LRT happens – and I think you’ll continue to see that as the LRT extends out, so you’re going to find nodes like Quarry Park continue along that,” he says.

In the short term, he expects to see single-family homes continue to build out by the end of this year, while the town homes will continue construction for another three to five years. Remington recently acquired another package of land on the north side of the development and expects to get another

chunk of land into possession by the end of the year to help accommodate the growth before the area is essentially fully developed. “We see it being a longer-term project,” says Clayton.

The fact is that tenants are now approaching developers demanding more space, so although there is some lag time those talks are now occurring and developments are likely to proceed throughout the year as permits and projects get approved.

“Companies are planning and budgeting for growth,” says Clayton. “We’re seeing a lot of hiring from the tenants in our portfolio and the requirement for growth from them.”

Hannes Kovac, of Opus Corp., says that although there



OPUS 8 office tower, developed by OPUS Corp (photos courtesy of OPUS)

resent another key node to watch as the construction sector ramps up its pace in the year or two ahead on that site. But there is a different style of development taking place now based at least partly on the City of Calgary’s new Plan It document calling for greater density and policies that could make residential developments on the outskirts more expensive, given the call for developers to pay more of the infrastructure costs associated with those new suburbs.

“I think you’re going to see more people trying to identify some infill opportunities where you’re not going on new greenfield opportunities,” says Clayton. When it comes to Quarry Park, it really redefines what has traditionally been called a business park in Calgary in the past.