The Washington Post

U.S. government a big commercial real estate player

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Section: Asection
Byline: V. Dion Haynes

Evidence of the federal government's growing influence on Washington area commercial real estate is illustrated in big deals it is working on both sides of the table: auctioning a 127,000-square-foot Bethesda building previously occupied by the National Institutes of Health and moving to snatch up vast spaces in buildings on the private market that have been vacant for months.

The General Services Administration is seeking to unload the 10-story building that the NIH vacated in 2002 when it consolidated offices into other buildings in Bethesda. The recommended opening bid for the online auction, which runs from April 30 to July 2, is $14 million.

At the same time, federal leasing activity is expanding, according to Jones Lang LaSalle, the real estate firm representing the government. The government signed deals for 750,000 square feet of space in the District in the first quarter of 2010, compared with 670,000 square feet in the city for all of 2009.

The government is taking advantage of the abundance of space in newly constructed buildings going for bargain prices. As leases are up and the government embarks on renovation projects, it is moving agencies into offices in such areas as NoMa, a neighborhood near Capitol Hill that was up and coming before the financial crisis ratcheted down demand for space.

"This is an example of how the government is giving space back in one area while absorbing space in others," said Rob Hartley, research manager for CoStar Group, a real estate research firm based in Bethesda. "The government is an economic driver" in the commercial real estate market.

The GSA decided to sell the 46-year-old former NIH building at 7550 Wisconsin Ave. in Bethesda eight years ago. "We have a process we have to go through before we sell a building. We have to offer it to homeless housing, to local government," said Bob Peck, commissioner for the GSA's Public Buildings Service.

Bethesda's vacancy rate has more than doubled during the recession, to 14 percent in the first quarter of 2010 from 6.6 percent in the first quarter of 2007, according to Jones Lang LaSalle. It has lost Chevy Chase Bank's headquarters and Hanger Orthopedic Group, and will lose CoStar later this year when it relocates its headquarters to the District.

The Bethesda business district's high vacancy rate will probably push any new owner of the former NIH property to offer substantially reduced rents to draw tenants, experts said.

Expansion of the government's role in the nation's financial markets, increased defense spending and the new health-care law are driving its demand for more space. The government is expected to increase its Washington area payroll by as many as 100,000, according to Partnership for Public Service, a nonprofit group that helps the federal government find workers.

"The government spent 2009 planning for the growth. We're going to see the growth materialize in 2010," said Scott Homa, research manager for Jones Lang LaSalle.

The government also is overhauling many of its buildings, making them energy efficient. As a result, several agencies will need to lease space in the commercial market for five years or so during renovations.

For instance, real estate officials said, the GSA plans to lease about 300, 000 square feet in the Constitution Square building in NoMa. Several defense agencies will likely need swing space when they begin making security upgrades to their buildings. The Securities and Exchange Commission is expanding next to its headquarters in NoMa, and the FDIC signed a lease in Arlington.

"This is a good time to expand leases," Peck said. "The rates are as low as they're going to be for a while."

Vancouver Sun

Canadian retailers see profits in going green

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Byline: Scott Anderson
Dateline: TORONTO
Source: Reuters

Canadian retailers have gone to great lengths recently to tout their environmental and social policies, motivated by the economic benefits as much as by altruism.

Walmart Canada, Loblaw and Canadian Tire are among the big retailers trumpeting aggressive policies to save energy and minimize packaging. Some are even publicizing efforts to protect depleted fish species and ensure decent working conditions at their suppliers.

The companies may have the best intentions but there's also no denying that green practices are simply good business. Saving energy cuts costs, while touting policies to protect the environment strikes a positive chord with consumers and investors alike.

"The primary reason is that they have come to recognize that there are significant business benefits in doing so. It is not altruistic," said Mel Wilson, who heads the sustainable business team at PricewaterhouseCoopers in Calgary.

"It's not like people just woke up one day and their personalities had changed. They have recognized that this is good for business."

Walmart Canada, a subsidiary of U.S. retail giant Wal-Mart Stores, said last month that it stands to save about $140 million over the next five years through strategies aimed at energy reduction, waste diversion and its supply network.

Canadian Tire, the country's large automotive and household goods retailer, said last week that it would be among the first companies in the country to highlight its progress in its quarterly and annual reports.

"What we felt is that, if we ingrained it into the processes and how we do business, then sustainability in itself becomes sustainable," said Stephen Wetmore, the company's chief executive. "That's the way we've approached it, otherwise we didn't think we would have a long-term, viable approach to the environment."

Loblaw, the country's biggest grocery store chain, is working with environmental groups to ensure it only buys seafood that is sustainable and not at risk of depletion.

For most retailers, the simple cost of doing business is what has driven them to adopt the initiatives. With energy costs trending higher again, companies have looked to green forms of energy such as solar power to shave costs.

"What is driving it is the mechanism that gets their cost structure and their energy costs down," said Bill Chisholm, a retail analyst at Toronto investment adviser MacDougall, MacDougall and MacTier.

"It's a bit of PR in terms of being green, but at the same time they are hoping to get their energy costs down."

Walmart Canada estimates it will save about $70 million in costs over the next five years just with its energy-savings plan including low-wattage light bulbs, energy-efficient cooling systems and solar panels.

Winnipeg Free Press

New life for north Main

Mon Apr 5 2010
Page: B5
Section: Columns
Byline: Murray McNeill / Commercial Real Estate

Work is to get underway this July on a major retail development that will breathe new life into a struggling section of north Main Street.

That's when construction crews are to begin work on Neechi Foods Co-op's $5- million redevelopment of the former California Fruit Market property on north Main Street.

Although details still have to be completed, Neechi Foods has lofty plans for the property it acquired last September.

Not only will its Neechi Commons development be home for a much-expanded Neechi Foods supermarket, but also for 10 to 15 retailers and several office tenants. And if everything falls into place, it could also be home to a culinary-arts school, a hydroponics operation and a year-round farmers market.

Astrid Lichti, administrator for the Mosaic Business Improvement Zone, said BIZ officials and area residents can't wait for the new development to open.

Lichti said there have been a number of high-profile commercial developments on Main Street south of the CP Rail underpass, including the new Winnipeg Regional Healthy Authority and United Way of Winnipeg headquarters.

"But we haven't seen a major, large-scale development like this in our zone in at least 15 years," she said of the area immediately north of the underpass. "So we're absolutely thrilled."

With last fall's closing of California Fruit, Lichti said the area no longer has a larger grocery retailer that sells fresh fruits and vegetables. And a year-round farmers market would be welcome because the other one in the area is a seasonal operation.

Because of the specialty foods and products that will be offered, Lichti expects Neechi Commons to draw shoppers from all over the city and bring new life to an area that is plagued by a number of empty storefronts.

"That is certainly our hope and intention," said Neechi Foods' Russ Rothney, who is managing the redevelopment. Rothney said the retail courtyard will hopefully become a meeting place for area residents. "The idea is that people will be able to sit down there and have a coffee or some bannock or whatever."

And Neechi officials also hope it will draw in commuters and other passersby. One of the reasons the co-op wants to relocate from its current address on Dufferin Avenue is because there is little drive-by traffic and no bus service on that street.

He said the move to the new Main Street site will enable Neechi Foods to more than double the size of its retail store and its 12-member staff. And the combination of a higher-profile location and a broader product offering should enable it to also triple its sales within the first two years.

Bridgman Collaborative Architects, which successfully converted a historic bank building at Main and Higgins Avenue into its corporate offices, has been hired to plan and oversee the redevelopment.

Owner Wins Bridgman, who is a fervent supporter of the area, said the two buildings will be converted into a "green" retail complex that meets Leeds Silver standards for energy efficiency and environmental friendliness. Some of the features being considered include a geothermal heating and cooling system and a heat recovery system to recover and reuse heat from the supermarkets' freezers and coolers.

He said new insulated interior walls will also be added, and the exterior of the buildings will be sandblasted to expose the original bricks. Skylights will also be added, along with new windows. "The place will be filled with natural light."

If it gets the go-ahead, the farmers market facility would be built along the front of the parking lot to make that stretch of Main "more pedestrian-friendly," he said.

Know of any newsworthy or interesting trends or developments in the local office, retail, or industrial real estate sectors? Let real estate reporter Murray McNeill know at the email address below, or at 697-7254.

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Where: Former California Fruit Market property on the southeast corner of Main Street and Euclid Avenue.

Developer: Neechi Foods Co-operative.

Architect: Bridman Collaborative Architects.

Cost: About $5 million -- $4 million to redevelop the property and about $1 million to purchase the property and some new equipment.

The vision: To convert the two buildings on the property into a "green" retail complex with a

7,000-square-foot Neechi Foods supermarket on the main floor and offices, classrooms and possibility a commercial kitchen on the second floor of the north building. A large hole would be cut into the floor on the second storey of the south building, the roof would be raised, and a mezzanine floor added to create an open-style, two-level retail courtyard with 10 to 15 specialty shops and kiosks opening onto the courtyard. The retailers, most of them aboriginal-themed, could include specialty-food shops, crafts stores, a books/music store, art galleries, a bakery and a community cafe. A hydroponic/horticultural operation is a also possibility.

Farmers market: An outdoor farmers market is also planned for the parking lot on the south end of the property, but Neechi officials hope to eventually build a 4,500-square-foot, all-season farmers market facility that would feature a series of glass overhead doors, to be opened when the weather is nice. Timetable: Neechi officials hope to complete the development plans within the next month, to begin Phase I construction in July and to complete it by the end of next March. If approved, Phase II (construction of a year-round farmers market facility) would be undertaken within the next couple of years.

-- Sources: Neechi Food Co-op and Bridgman Collaborative Architects

The Globe And Mail

Why productivity gains should matter to Canadians

Mon Apr 5 2010
Page: B6
Section: Report On Business Column
Byline: Gwyn Morgan

is the retired founding CEO of EnCana Corp.

Bank of Canada Governor Mark Carney recently stated that Canadian business has "disappointed" by failing to take advantage of the country's relatively superior economic and policy environment to improve lagging productivity. Days later, his predecessor, David Dodge, told a Liberal Party of Canada think-fest: "Without productivity improvement, we will condemn ourselves to a standard of living which is in decline relative to the rest of the world."

Mr. Dodge also pointed out that productivity improvement is "a necessary condition" for governments to continue financing social programs. He could have correctly added that, without higher tax revenues from private sector productivity growth and cost savings from more efficient program delivery, provincial and federal governments have no hope of eliminating deficits.

If productivity improvement is so crucial, why are most Canadians mystified about what it means? It's generally defined as the rate at which goods and services are produced, especially the amount of output per unit of labour. The mathematical definition is "the ratio of output to input." Some labour leaders cynically describe it as a capitalist plot to exploit or lay off workers.

Canadians are entering that time of year when escaping to the country presents the opportunity to observe modern road repair methods. Huge graders, compactors and paving machines make short work of kilometre after kilometre of road improvements.

Contrast that with road repair methods my wife and I witnessed in Cambodia. Hundreds of workers toiled with picks and shovels, pushed wheelbarrow loads of gravel and, on their hands and knees, pounded that gravel into the clay roadbed.

Needless to say, the "ratio of output to input' is many times higher for Canadian than Cambodian road builders.

This example also makes a few other things clear: Capital investment for modern equipment means vastly higher worker productivity in Canada, and superior equipment also means immensely better working conditions.

The higher productivity of Canadian road builders generates what economists call "surplus value," which flows to governments through taxes and to shareholders through profits. In Cambodia, road building is a dead-weight social program cost.

The Canadian "output" - the road - is a heck of a lot better. That makes every business that uses the road more productive, and taxpayers who drive on it much happier.

Such an outcome hardly seems consistent with the idea that productivity is a capitalist plot to get rid of workers. But isn't it true that modern equipment and a better-trained work force mean fewer workers are needed? That would be true if neither companies nor the economy were growing. In a low-productivity economy, even well-qualified workers often remain out of work or accept lower- paying jobs. Economic growth driven by high-productivity enterprises creates more, not fewer, higher-paying opportunities for qualified workers.

All of this leads to what I'll call Morgan's Laws of Productivity:

A country's economic success is directly proportional to the productivity of its private and public sectors.

A company's financial success is directly proportional to the efficiency of its equipment, processes and people.

Any business activity where input costs are greater than output value destroys shareholder value and competitiveness.

Any government activity where the input costs are greater than their output value to society destroys taxpayer value and reduces money available for public infrastructure, social programs and services.

In a productive society, the standard of living of each citizen is determined by the degree to which they possess the education and skills most required. This in turn determines a country's overall standard of living.

In 2008, Canada ranked 16th out of 34 OECD countries in labour productivity, 12 places behind the United States - our biggest customer and our biggest competitor. Since then, the Canadian dollar has rocketed to near parity with the greenback, further increasing the U.S. competitive advantage. No wonder Mr. Dodge calls productivity improvement the most pressing problem facing all levels of government.

Given the importance of productivity to our future, it's in every Canadian's self-interest to understand what it really means. The best definition I've read comes from a most unlikely source, the website of the National Trade Union Congress of Mauritius:

"Productivity is a process of continuous improvement in the production/ supply of quality output/service through efficient, effective use of inputs; with the emphasis on teamwork for the betterment of all."

Now, we're getting somewhere.

The Globe And Mail

THE 'NEW NORMAL' FOR THE LOONIE; Upcoming economic reports will give some indication of how well companies in the manufacturing sector are adapting to the higher currency

Mon Apr 5 2010
Page: B2
Section: Report On Business: Canadian
Byline: Jeremy Torobin
Dateline: OTTAWA

OTTAWA -- All signs point to the loonie hovering near, or above, parity with the greenback for months, or even years.

But there's considerable debate about how well manufacturers will be able to live with that "new normal."

Many companies are adapting, either through a process known as hedging, or by pursuing new markets outside the United States and taking advantage of the higher currency to buy new equipment abroad.

And while Bank of Canada Governor Mark Carney said recently that executives need to do more to make their firms more productive and nimble, neither he nor Finance Minister Jim Flaherty has expressed much concern in the past few weeks about companies' ability to work around the soaring currency.

That calm acceptance from Canadian officials has been bolstered by a string of stronger-than-anticipated economic reports, capped off last Wednesday by January gross domestic product data, which showed the manufacturing industry - heavily dependent on exports to the wounded U.S. market where the loonie is making Canadian goods more expensive - expanded by nearly 2 per cent during the month.

That was the first time since the recession that the sector posted a substantial gain.

Still, Bank of Montreal economist Douglas Porter noted Friday that although manufacturing is playing a big role in the recovery, "real factory activity is still down almost 18 per cent from the cyclical peak of four years ago, and may never fully get back to those levels." Canadian Imperial Bank of Commerce's Avery Shenfeld was more direct a couple of weeks ago, saying it's too soon to conclude from a few pieces of data that factories have managed to make themselves resilient enough to withstand the high loonie.

"Adjusted for inflation, manufacturing and GDP shipments are sitting at only 1997-98 levels, and nearly 20 per cent below the pre-recession peak," Mr. Shenfeld said on March 22. "The effect of the strong Canadian dollar will show up in the extent to which the factory sector can make up that vast remaining ground."

Nonetheless, it's hard to find a reason that the currency would drop more than a cent or two any time soon. Rising oil prices and a greater appetite for risk are pushing investors away from currencies like the U.S. dollar and toward those linked to commodity prices and strong economic growth. That's on top of longer-term factors, such as central banks around the world buying Canadian dollars to diversify their currency reserves amid questions about the greenback and the euro and, more immediately, mounting signs that the Bank of Canada will start raising interest rates in June or July, well before the U.S. Federal Reserve Board.

For the best clues in a while about how companies are faring in this climate, look to a jobs report this Friday from Statistics Canada and the Bank of Canada's quarterly business outlook survey on April 12.

Both will go a long way toward showing not only how confident companies are that they can still thrive, but also how much 'slack' there really still is in what, even with a 99-cent loonie, increasingly seems to be the world's most well-rounded advanced economy.