

PACIFIC RIM INVESTMENT IN CANADA; OTTAWA: Small time _ for now Big money from overseas going elsewhere

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Jamilah Taib-Murray was born in Australia, raised in Malaysia, schooled in England and married in Canada. She has to think hard about parts of the globe she hasn't visited.

And when asked her nationality, she says "I'd like to think I'm international."

"I've been exposed to so many languages, cultures and traditions that I've made up my own culture by borrowing from them all."

It's that international network of contacts and breadth of knowledge that helped her, at 28 years old, land the presidency of Ottawa-based **Sakto** Development Corp., a firm that specializes in offshore investment in Canada.

Sakto is a company that represents the growing number of Pacific Rim businessmen who are bringing their dollars and expertise to Canada.

But so far, Ottawa has remained far off the beaten track of investor heavyweights such as Hong Kong billionaire Li Ka-shing who dropped \$320 million to buy the 1986 Expo site in Vancouver.

"Ottawa isn't viewed as an international city," said Richard Cyr, commercial appraiser for Higgs, Peppiatt, Cameron, Cyr and Wilson Ltd. "It's seen as a safe kind of city to invest. Security of investment is always in a federal city."

Industry spokesmen say **Sakto** is probably the biggest and most visible firm in Ottawa _ considered a secondary market by international standards _ devoted to investing its foreign owners' money in Canadian real estate.

David Lees, vice-president of Royal LePage's commercial division in Ottawa, said Ottawa is only catching the dribs and drabs of the "staggering amounts of money" Hong Kong investors are pumping into Toronto and Vancouver.

"**Sakto** has been here for a long time, but otherwise it (Pacific Rim investment) hasn't hit Ottawa with any big deals... but it's just a matter of time before it does," he said.

Sakto's latest and most ambitious project is the \$45-million Commerce Plaza, along Preston Street in the heart of Ottawa's Italian district. The project took four years to put together.

And Taib-Murray calls the three-tower retail-office complex a test of her abilities in the eyes of absentee shareholders.

Until now, **Sakto** has only invested in residential properties, building up a portfolio of 450 apartments, condominiums and garden homes since the company was founded in 1983.

For now, **Sakto** has decided to hold off buying more residential properties, taking the time to upgrade the ones it has bought over the years, said Taib-Murray.

The Commerce Plaza is **Sakto's** first foray into commercial real estate. Local industry watchers say Seltzer Corp., based in Philadelphia, is the only other large foreign investor that's moved into Ottawa's real estate market in recent years.

Commerce Plaza is designed to fit in with the Italian character of Preston Street. The three green reflective glass towers will be set back from the street, each linked by a landscaped plaza for pedestrians. It's bounded by Preston, Aberdeen and Rochester Streets.

A row of shops will face Preston, with the plaza gently sloping upwards to buffer the street from looming office towers. The project sits along the Queensway _ highly-visible locations that are becoming as coveted as downtown sites.

Steve Gordon, president of Regional Realty Group, said there's nothing "magical" about what attracts foreign investments. Investors either look to markets they know or to someone they know who does. And that someone is invariably a colleague, friend or family member who's already here.

"Honk Kong is a businessman's Disneyland, it's dynamic and makes New York look sick," he said. "Everyone there is an entrepreneur and they're investing for the long-term because they're looking ahead for the next generation."

So far, Ottawa is attracting the small investor. Gordon said the amount of offshore investment finding its way to Ottawa is steadily increasing, but it's still a very small share of the market.

Ottawa's Chinese community of 30,000 people pales compared to the 300,000 ethnic Chinese living in Toronto. About one-third of Ottawa's Chinese community is from Hong Kong.

Peter Lee, president of the Ottawa Chinese Businessman's Association, said his group knows of Hong Kong investments in Ottawa totalling nearly \$3 million over the past year.

But Lee said Hong Kong investment in Ottawa can only increase as 1997 approaches. He said businessmen will be scrambling to find secure havens for their families and investments by time the British colony is handed back to China.

And real estate will be the investment of choice, Lee said.

Many industry sources say it's difficult to track how much money is being channelled into Ottawa because many deals are done "in trust" on behalf of a group of investors.

"I know of people who are looking here and ready to buy something major if it comes along, like a shopping centre," said Jay Acton of Acton International Marketing Inc.

"But certainly most are small groups looking at smaller properties such as three-storey offices or a retail business with some real estate attached to it."

Some investors are buying up residential properties, but not enough to distort the market and inflate prices. Lee said most of the people who've bought homes have family here to keep them informed of market prices so they don't pay too much.

"When they compare the price of housing to Hong Kong, where a small two-bedroom condominium sells for more than \$250,000, prices seem cheap here and they're prepared to pay more."

Immigration lawyer Edward Cheung said most of the deals he's handled on behalf of Hong Kong investors involve smaller properties, such as shopping plazas, strip malls and secondary manufacturing facilities. A group of Hong Kong investors recently bought into Ottawa's Novotel Hotel.

But while Ottawa may not be haven for millions of dollars in direct investment, its real estate market is feeling the impact of Canada's increasing number of immigrants and foreign investors.

Competition is keener and prices are rising.

"There a sense (among local developers) that 'if I don't grab it now the foreign investors will because there's a lot of people out there looking for property,'" Acton said.

Appraiser Cyr said Hong Kong investors are looking for long-term investments so they're willing to pay higher prices and settle for a lower immediate return, banking on the property's appreciation in value over the long run.

"The words 'globalization of real estate' are the buzz words of the 1990s because we're competing with the world now, not just among ourselves," Cyr said.

The group of 10 or 12 investors who control **Sakto** _ Taib-Murray doesn't like to say how many _ are looking for a secure, long-term investment for their money. And someone they trust to handle it for them.

All are from the Pacific Rim _ Australia, Hong Kong and Malaysia _ and rarely come to Ottawa _ except the chairman who flies in from Malaysia twice a year for meetings.

"They want a very careful investment, a sure thing, which is what the Ottawa market is like," she said. "The Toronto market moves too fast, too risky for them when they're so far away."

Taib-Murray said many cultural forces come into play when striking a deal. She said Canadians may not understand the emotionalism or sentimentality of Indian businessmen.

Or that the Chinese will negotiate on the strength of a handshake. Family loyalty among the Chinese swings more deals than who's best qualified for the job. And Eastern cultures show much more respect and deference to the experience and wisdom of their elderly, she said.