



ATTRACTING FOREIGN DIRECT INVESTMENT TO EASTERN ALBERTA





Come learn more about the Eastern Alberta Trade Corridor and How Foreign Direct Investments can:

- Help attract new investment to your community
- Sell commercial property
- Grow your business





INTRODUCTION





Why Are We Here Today?

- To introduce the Eastern Alberta Trade Corridor Initiative and how it relates to Foreign Direct Investment opportunities
- To look at Foreign Direct Investment as a means to help attract new investment to your community
- To examine ways of working together and increasing our "readiness" to increase our success in attracting investment"
- Examine how Eastern Alberta Trade Corridor Initiative and Foreign Direct Investment best practices relate to marketing regional commercial industrial properties





This seminar series will demonstrate to Eastern Alberta communities and businesses how Regional Economic Developments Alliances such as PEP, BRAED and HUB can assist them in attracting new investment. REDAs can work with communities and businesses on projects like the Eastern Alberta Trade Corridor Initiative, assist in attracting Foreign Direct Investment, and help develop information resources to assist marketers of commercial industrial properties.



WHAT IS THE EASTERN ALBERTA TRADE CORRIDOR?





What is a Trade Corridor?

- Trade corridors are streams of products, services, and information moving within and through communities in geographic patterns. In short, trade corridors link major transportation and production hubs.
- North American trade corridors are strategies developed by groups of business and municipal (and sometimes state and even federal) government leaders to attract to particular regions some of the increased flow of materials generated by deepening North American economic integration.
- Regional development organizations seek to spur development within a specific contiguous area, and to improve transportation systems that link elements of clusters within that area and provide the clusters with access to outside markets





What is the Value Proposition for a Trade Corridor?

- Existing resources are mobilized along a corridor that links major transportation and production centers.
- It can garner support for government funds to support economic development in that area.
- Increased awareness within the region of its economic capacity and the associated opportunities
- You can best think of trade corridors as maps of decisions firms have made – decisions about how to organize their production, distribution, and supply systems; to capture regional specializations along extended supply chains that cross North America's internal borders; and to create logistics mechanisms that will move components efficiently from plant to plant



What types of objectives can be supported by a Trade Corridor initiative?

- Asset Management
- Regulation
- Information Technology Centres



Where is the proposed Eastern Alberta Trade Corridor?

WHAT IS FOREIGN DIRECT INVESTMENT (FDI)?

What are the motivations for companies engaging in FDI?

- Resource seeking
- Market seeking
- Efficiency seeking
- Foreign direct investment in Canada from the United States at the end of 2009 was **\$288.3 billion**.

What is the site selection process used by foreign direct investors?

- The FDI location process -- the process by which a company locates in another country -- varies from company to company, and from sector to sector.
- Manufacturers, especially smaller or less experienced international firms, typically move through a sequence, beginning with exports via agents, to licensing of foreign products, and finally to FDI in assembly/production ventures.
- Service operations such as banking require interaction between producers and consumers. Unlike manufactured products, many services cannot easily be traded cross-border, and service operations cannot be incrementally moved overseas.
- Resource-seeking investment designed to utilize a country's labour or primary resources also has a relatively rapid investment process, because there is no way to access these resources without entering the country.



- It is important to understand the FDI process because some forms of investment are a good indication of likely future investment by the same firm.
- For example, if a manufacturing company establishes a sales subsidiary in your country, this is a good sign that the company is intending to expand its exports to your market. If this company is successful in expanding its sales in the local market, it may consider establishing manufacturing facilities in your country. A successful IPA will track such events in order to market itself to the potential investor and facilitate that company's investment decisions.





What are key factors considered by foreign direct investors?

- Market
- Cost
- Natural Resources
- Infrastructure Framework
- Policy Framework
- Business Promotion & Support
- ***Incentives***



**MARKETING THE EASTERN ALBERTA
TRADE CORRIDOR**





Core Marketing Principles

- In a cluttered marketplace, nothing is more vital than figuring out what your business can do different than competitors, and then effectively communicate that message. You need to build a competitive advantage by differentiating yourself.
- The core of assessing and implementing a competitive advantage is
 1. Understanding your own core competencies – what do you do better than the other guys or what are you offering that no one else does.
 2. If you are in a competitive marketplace, what do your competitors focus on and do well.
 3. Identifying areas where you can set yourself apart, then communicating that message to customers.
- Differentiation is the key. What specific core competencies make your business or community distinct from the competition?



- Common points of differentiation for a business are: Price, product, quality, service, location, hours of operation, atmosphere, return policy, product knowledge, etc.
- Common points of differentiation for a **community** are: Tax policy, incentives, labour pool, infrastructure, industrial sectors, land and building availability...and *location*.
- The Eastern Alberta Trade Corridor provides another point of market differentiation to sell your business or community - *location*.
- Location is seen as a point of market differentiation in four ways:
 1. Convenience
 2. Sole Provider
 3. Supplier Access
 4. Market Access



How can Eastern Alberta communities and businesses to leverage the Corridor for economic development?

- Focusing on regional key sectors and transportation routes, communities and businesses can look to:
 - Increase exports to neighbouring communities in the Corridor, especially in the U.S.
 - Attract Foreign Direct Investment (FDI) from companies along the Corridor
- Our focus here today is to discuss the practice of attracting FDI, and its natural offshoots, such as selling commercial industrial real estate to foreign investors



What are the Foreign Direct Investment opportunities that have the best chance of attracting foreign investment to EATC commercial/industrial properties?

- One of the value propositions for businesses and communities that want to leverage the Eastern Alberta Trade Corridor relates to targeting foreign companies that have an interest in Eastern Alberta key sectors.
 - Agriculture
 - Energy
 - Manufacturing
 - Tourism
 - Transportation
 - Defence/Aerospace



Focus on the major economic drivers and therefore freight generators for the Eastern Alberta Corridor?

- Large scale agricultural and food production mostly concentrated in the south of the Corridor
- Oil and gas equipment and servicing throughout all regions of the corridor
- Crude oil transport, mainly to Hardisty
- The construction and expansion of major pipelines – opportunities associated with construction on ongoing operations
- Chemicals, petrochemicals and fertilizers
- Livestock transportation, primarily in the southern and central regions of the corridor
- Metal fabrication products, scattered throughout the Corridor, but tending to be larger and more concentrated in the northern and southern regions of the Corridor
- Three military bases generating freight demand and substantial opportunities for local business and economic activity
- Components, parts and modules for oil sands plants and upgraders, generated from within the Eastern Alberta Corridor, and other domestic, US and international origins
- Activity in oil and gas, oil sands and upgrader development is extremely important to economic activity in The Corridor and is a major contributor to highway traffic levels in Eastern Alberta.



Who might be the most likely foreign investors to be interested in EATC commercial/industrial properties?

- There are no quick answers to identifying investors. As experts from DFAIT, IEDC, and site selectors will tell you, but there rules of thumb to follow. Look for:
 1. Companies interested in selling to this region
 2. Companies attracted to your land, facilities, infrastructure, transportation corridor, or incentives
 3. Companies interested in selling *around* this region, but attracted to your land, facilities, infrastructure, transportation corridor, or incentives
 4. Opportunities associated with unprecedented heavy oil and associated developments

**HOW CAN YOU CONNECT WITH LIKELY
FOREIGN INVESTORS AND MARKET
TO THEM?**



- How can you connect with likely Foreign Investors and market to them?
 1. Act Regionally
 2. Look for Major Regional Projects
 3. Identify Local Companies Interested in FDI
 4. Raise Awareness of Regional Assets and Activities
 5. Identify Specific Opportunities to Market
 6. Work with Economic Development Organizations
 7. Commit to Set Amount of Time and Resources to Attract FDI
 8. Set Critical Information Path When Fielding an Investment Inquiry
 9. Leverage Provincial and Federal Government Resources



Act Regionally

- Cooperation is a vital element to regional economic development. What is good for your neighbour is most often good for you.
- You must sell the region and the province, not just your community.
- The more land, facilities, infrastructure, and incentives that the investor perceives as being in your region, the better.
- Incentives are one of the first things investors look for. These are often tax breaks, free or discounted land, financial support to hire local workers, etc. A great resource is to look at www.thefundingportal.com
- Government programs that support FDI initiatives (such as DFAIT's Invest Canada-Community Initiatives (ICCI) program) usually recognize regional partnerships as strengths when considering funding applications.
- Inform participants about major regional projects that might affect local real estate in the next year



Identify Specific Opportunities to Market

- This should be part of your TARGETED marketing strategy
- Raising awareness of Regional Assets and Activities is important but when it is time to connect with a specific potential investor, specific opportunity needs to be presented.
- Research needs to be done to compile and Opportunity Analysis, or even better a Business Case (funds permitting) that outlines the following:
 - The Opportunity
 - The Market
 - Operations and Human Resources
 - Financial Projections
 - Local Assets
 - Land and Buildings
 - Labour
 - Infrastructure
 - Incentives
- Lets look at an example...



- The Opportunity Analysis or Business Case needs to be shared with local EDOs, REDAs, Provincial Sector Specialists and Trade Officers, and Foreign Trade Commissioners. These specialists along with local businesses and individuals that have foreign connections will help identify the companies to target.
- Actively send out information to Trade Consulates about new assets and activities in your region or community.
- Ensure that marketing materials sent to Trade Consulates or target companies are clear, consistent, professional, and **specific**
- Use these resources to help target specific foreign companies and marketing channels such trade publications, trade shows, and trade organizations.
- Any land and buildings that are part of the Opportunity should be listed on MLS.



Work with Economic Development Organizations 10

- The Regional Economic Developments Alliances such as PEP, BRAED and HUB assist member communities in attracting new investment:
 - Palliser Economic Partnership (PEP) - www.palliseralberta.com
 - Battle River Alliance for Economic Development (BRAED) www.braedalberta.ca
 - Alberta HUB (HUB) - www.albertahub.com
- Being a member to one of the organizations is important. Feel free to contact your local REDA anytime for information.



- What are some of the aims of the Regional Alliance Approach?
 - Coordinated effort reduces duplication
 - Provides focus on regional priorities and solutions
 - Improved local capacity to undertake projects individual communities could not do on their own
 - Develops an attitude of collaboration and cooperation
 - Establishes a respected regional voice on economic issues, priorities and policies
- REDAs are organizations that are a natural fit to help bring communities and resources together for initiatives such as the Eastern Alberta Trade Corridor and Foreign Direct Investment programs.
- They are conduits between those engaged in local economic development activities and the resources of provincial government.



What can REDAs do to support regional Investment attraction?

- REDAs are a conduit to information – an amalgamator of information and “agent of the region”
- Support, organize and even host investment attraction training
- Develop labour attraction/retention programs (marketing material development and strategy development, etc)
- Gather and store of public domain industry information (maintenance of Investment Attraction website, R&D, business statistics, feasibility studies, opportunity analysis, etc)
- Identify governmental and non-governmental business resources such as grants, loans, information, etc
- Promote their regions and raise site selection awareness (raising the regional profile to potential investors and acting as an investment information portal)
- Facilitate on key regional business issues between stakeholders, business, government, citizens, etc
- Disseminate investment attraction inquires to the appropriate member communities



Commit to Set Amount of Time and Resources to Attract FDI

- Commit a set amount of staff time to their local REDA for regional investment attraction efforts (research, marketing, data gathering, trade missions, etc)
- Define specific time and budget allocations that their REDA should make towards its investment attraction mandate
- Submit information on a timely basis to keep investment attraction tools such as websites up to date.
- Agree on a sector(s) specific focus so REDAs and other stakeholders can engage in highly targeted investment attraction efforts
- Ensure that land and buildings that may be sold to foreign investors are updated on MLS.



Foreign Commercial Real Estate Buying Scenarios

- There are generally three reasons that foreign investors look to purchase commercial real estate:
 - 1 To invest in a property that provides cash flow – e.g. a shopping mall or office building
 - 2 To invest in a property that may realize a quick or substantial capital gain – e.g. a tract of land that is expecting major residential or commercial development
 - 3 To acquire land or buildings needed to relocate or expand a business opportunity – e.g. opening a new business location or partnering with a local business to expand operations
- In rural areas, the most common form of foreign commercial real estate investment arises from the third scenario. Most foreign investors look to large, expanding urban markets for scenario one and two.



- Hence, the most expeditious way to sell rural commercial industrial real estate is by developing and marketing new business opportunities. In FDI, the commercial real estate opportunity is usually a by-product of the business opportunity.
- Ensure that the opportunity is communicated to local regional, provincial and federal organizations that specialize in investment attraction; including the associated commercial real estate opportunity.
- Readiness is the key. By actively working with your REDA to market your community and its opportunities, you can be ready when an investor or a government agency calls. Let's look at an actual example...



Top 12 Commercial Real Estate Selling Tips

- 1 If possible, have properly serviced and zoned land available to sell. This is a challenging proposition, because servicing is an expensive up-front cost. But know that the #1 question that site selectors and investors ask when looking to expand or relocate to a new area is "Do you have serviced lots or buildings that are zoned for our purpose."
- 2 List your property when the market is active if at all possible. Commercial real estate prices are volatile and fluctuate quickly in conjunction with the economy. If you sell your property during a financial swell, you will realize a much larger profit than if you part with it during a financial lull.
- 3 Hiring a Realtor is vital to the sales process. Research the reputations and records of many Realtors before hiring one. Talk to Realtors' previous clients and don't be shy about asking questions. Some Realtors will let a property go for less than it's worth to get their commissions more quickly. Others will represent your interests assertively and fairly. Be sure to get one of the latter.



- 4 Advertise your property in forums that are frequented by likely buyers. Business magazines and websites are fertile ground for potential buyers. Your local newspaper is not as closely focused but is probably less expensive to advertise in and will get the general word out that your property is for sale. If you are looking to market a property that is tied to a specific business opportunity, then advertise in appropriate industry journals and websites. Let's look at an example...
- 5 Be sure your advertisement includes quality pictures and relevant information such as the price per square foot, zoning regulations and the building's lease history.
- 6 Guerrilla Marketing – leverage as many free or inexpensive tools as possible. Market the property on Craigslist (more for American buyers) and Kijiji (more for Canadian buyers) for free. You can also develop a website specifically for one business opportunity/commercial real estate opportunity, or use platforms like Facebook.



- 7 Make your building (or land) look as good as possible before putting it on the market. Seemingly superficial aesthetic touches can make a surprising difference in real estate. Clean up the lot, mow and trim any lawns and hedges, have the windows professionally cleaned and remove any graffiti. All of these touches will show that you care about your building and make it more likely to attract buyers.
- 8 Changes in zoning - Provincial or municipal laws classify or zone areas for various commercial property usages. From time to time, zoning laws change enabling different types of businesses or industries to operate in a particular area. Check to see if there has been a change in your zoning or if a change is being considered by the authorities. The sale of your property could attract a whole new type of customer with a change in your classification.
- 9 Extra professionals - A lawyer and accountant you know, respect and trust are essential members of your team. This type of commercial real estate transaction will involve serious amounts of money. You don't want anything to come back and bite you. All aspects of commercial law and relevant taxation requirements have to be watertight. Don't cut corners and make sure you cover all the bases.



- 10 The buyer - In most cases it's a company or at least a partnership. The more you can find out about their line of business and what they want to use the property for, the better able you will be to help make the sale. Remember the professional Realtor is running the show but if you can give the Realtor all sorts of benefits the property has to offer, that could clinch the deal. Discover what you can about the potential buyer.
- 11 In addition to tenure and location, commercial property advertisements also need to include extra details on the available square footage (especially for U.S. buyers) or square meters of the property. This is generally taken to be the area in which the commercial property's purchaser can conduct business, and doesn't necessarily include bathrooms, corridors etc. Price per sq m is an important benchmark that commercial property purchasers will use to compare your property to others in the area, so it's important to include this information when selling.
- 12 If you are in doubt about market valuation for your property, get a professional appraisal done. Look to your local financial institution first for a reference to an appraiser. Or you can contact the Appraisal Institute of Canada at www.aicanada.ca to find a certified Alberta appraiser.



Tips for Doing Business with Americans

- The American style is competitive and even aggressive. Winning is often seen as more than to appear conciliatory. Therefore match their style with a confident bearing, and be prepared to 'cut to the chase' without delay. This is the culture of 'time is money'.
- Although their style can be seen as aggressive, it should not be taken personally. Americans tend to be uncomfortable with the use of emotion in negotiations.
- Their style is direct and to the point, with sustained eye contact. They say what they mean and mean what they say.
- American deals are all about the bottom-line – profitability. And quick results. They want a short pay-back time, and will take risks in line with that attitude.
- They will not hold on to declining fortunes. They make quick decisions to go in ... and to get out.



- They will want everything confirmed in writing – and every proposal, too. Nothing is binding until both parties have signed their agreement.
- They are hot on detail, so contracts should be drawn up with a lawyer's assistance. Americans will insist on contracts being carried out as agreed.
- When they show aggressiveness during negotiations, it is not personal but related only to the matter being discussed.
- They are unimpressed by signs of vulnerability in negotiations.
- They believe in winning, so let your first offer contain enough room for maneuver, and expect a hard bargaining session.

Dr Deborah Swallow



Top 10 Takeaways

- Before you identify a specific opportunity to market to a foreign investor, there are 10 things you can do to ready yourself for FDI:
 1. Identify what the key competitive advantage is in your community. Is it the strength of a specific industrial sector, a unique piece of infrastructure, your location, incentives, educational institutions, labour pool, etc? You have to know what the primary factor is that sets you apart from your competitors, and also allows you to develop as set of FDI targets.
 2. Keep apprised of major regional projects that might have a direct or indirect impact on your community. This is a great way to sell or lease real estate.
 3. Identify local companies interested in investment and let them know that there are local regional, provincial, and federal agencies willing to help them connect with foreign investors
 4. Be ready. Be sure that regional, provincial, and federal investment attraction agencies are aware of unique assets in your community – especially your REDA.
 5. Make sure that regional, provincial, and federal investment attraction agencies are aware of specific new opportunities in your community



FDI List

- A great Government of Alberta resource for investment attraction and economic development is: www.albertacanada.com
- There is an extensive list of government contacts at <http://albertacanada.com/about-alberta/key-contacts.html> for the following industries:
 - Aerospace & defence
 - Agrifood
 - Architecture, engineering & construction
 - Building products
 - Chemical & petrochemicals
 - Energy resources
 - Environmental products & services
 - Financial services
 - Information & communication technologies
 - Life sciences
 - Metal fabrication & machinery manufacturing
 - Oil & gas technology & services
 - Tourism
 - Transportation & logistics





- Foreign Affairs and International Trade Canada: <http://www.international.gc.ca>
- Invest in Canada: <http://investincanada.gc.ca>
- FDI Toolkit: www.wbqinvestmentclimate.org


