

## REDEV Properties Recession-proof

**With the present crisis and the possibility of recession, where can investors feel safe and still get a good return? The answer lies in resource-rich Western Canada, particularly with one company in Alberta called REDEV Properties**



*The REDEV team in Hong Kong*

With recent stock market jitters, promises of high appreciation and quick returns have not been forthcoming, dramatically reducing investors' initial equity and capital. Investors are desperate to save capital and see some appreciation without a large amount of risk. Commercial real estate in Western Canada, led by Redev Properties, addresses that issue.

A survey conducted by the World Economic Forum showed Canada has the world's soundest banking system. Unlike the US, Canadian banks are still lending to customers, and both the money market and pension funds have little need for a Bank of Canada lifeline. The reason is a natural bounty of raw materials and resources that include the world's largest reserves of oil and natural gas, fertiliser

potash, sulphur, agriculture and industry; and the people who use them to further economic growth. Even at current prices, commodities remain very profitable.

In mid-2008, CB Richard Ellis (CBRE) real estate services reported that vacancy rates in Calgary are the lowest in North America, hence imminent rental increases. Calgary, Edmonton and Vancouver stand out as perhaps the three most active and high demand retail markets in North America relative to their size. Alberta has the possibility of some 2.5 trillion barrels of bitumen reserves in an area the size of England. Its GDP growth was forecasted to reach 4.2 percent this year, largely due to strong energy demands, healthy construction activity and robust consumer spending.

With all these factors contributing to Alberta's 'super economy', it seems that now is the moment to invest in the province, principally in the area of commercial real estate. Enter REDEV Properties, whose motto is 'Cash flow is king!' It offers investment opportunities in commercial real estate in Alberta.

Richard Crenian, together with Howard Manley and Darwin Forer (now based in Asia), partnered up in 1981 and since then have successfully developed over 11,000 condominiums and commercial properties in Canada. By 2001, they changed focus to redeveloping established commercial real estate. It had become cheaper to buy existing property than developing new, and with long term leases already established, posed much less risk and provided immediate cash flow.

This investment proved to be very popular among both Asian and Canadian investors looking to take advantage of rising rentals and Canada's inherent stability. Darwin Forer, Vice President for Asia says, "Eighty percent of our investing partners are Canadians, most of whom live in the same vicinity as these commercial properties. This speaks for itself in terms of location, price, cash flow and future capital appreciation."

Today, Crenian, Manley and Forer, through REDEV, own and manage 25 well located, fully occupied commercial properties along with their 4,000 investors, adding three new properties per year depending on research. Forer says, "Our success is due to not only being able to deliver on our promises, but also by staying ahead of the market and identifying the future's best commercial real estate to acquire now.

"What we look for are properties that have a stable income, are fully leased with high traffic flow and have an opportunity for physical upgrades, rental increases and the best potential for capital gain.

"In these properties anchor tenants are government, banks and publicly listed companies which are lower risk, combined with local retailers.

"With a sound business plan, and extensive experience, our investors rely on us for their good quality investments, with many investing in multiple properties at a time."

Crenian, Manley and Forer have almost 100 years combined experience, plus numerous others on their team.

Commercial real estate is normally beyond the reach of the average investor. REDEV provides a platform for investors to simply own a percentage interest at an affordable entry level for as little as C\$25,500 in freehold property, with existing tenants and existing cash flow.

Forer explains, "Our partners start earning from the first day they invest, receiving their cash flow every six months. This is the difference when compared to investing in residential properties with all its associated problems and risks. Our tenants are under Triple-Net Leases, whereby they are responsible for all taxes, insurance, miscellaneous expenses and all costs associated with repairs, maintenance and management.

"This year even with the stock market falling, we have had our best year ever and this will continue due to long-term leases and long-term mortgages. In terms of return, our properties are currently achieving 6 to 10 percent net cash flow per annum after all expenses, mortgage and tax, plus capital gain. Our plan is to sell off each property to REITs or pension funds after five years, at which time the investors receive their applicable capital gain or remortgage to draw out equity, which is immediately paid out to investors who still retain their same interest in the property. To date, on resale, our partners have received 28 percent per annum on average in capital appreciation and cash-flow."

Before being offered to potential partners, all the properties are purchased by REDEV and have undergone extensive due diligence examination, from checks carried on previous owners to environmental engineering tests. Most projects are available for investment for only about four months, another good indicator of the popularity of the company's business model.

REDEV prides itself in their six investment goals: investor safety, investor security, arm chair investments for partners, growth potential, and income increases, which lead to appreciation.

With today's uncertainties in the global financial market, isn't it time to move into a safer, recession-resistant strategy that generates income, and watch one's equity value appreciate?

## PHILOSOPHY

Generating cash flow and capital appreciation for our REDEV investors is the key. By investing in high traffic, high income and fully leased properties, we are able to take advantage of rising rentals. Investing in properties with non-recourse mortgages along with bonded and insured professionals means that our investments are safe and secure. Considering that the price of retail office space in Hong Kong is high and returns are low, it is far more profitable to retain our cash flow in Canada. All our investments to date have proved profitable and all have generated positive cash flow. All our properties could be sold for a profit within 30 days if we wanted to sell them. We believe in what we do. We invest in our projects alongside our partners

## FAST FACTS

- Canada is the fastest growing G8 country by population
- Two-thirds of investors are repeat owners from previous projects
- Eighty percent of investors live in Canada, which speaks highly of location, price, cash flow and future capital appreciation
- Net cash flow from long-term leases is paid directly to investors from insured professionals every six months
- Purchasing existing plazas is cheaper than new construction
- Well-defined exit strategy: recent buyouts by REITs, or refinancing to draw out equity, averaged 28 percent p.a. in five years
- All investment funds and cash flow are handled by insured third party professionals