

WE TAKE CARE OF BUSINESS: LOW OFFICE OCCUPANCY COSTS IN CANADA MEANS BIG SAVINGS FOR BUSINESS

FOR FOREIGN INVESTORS, the price of real estate is an important factor when considering investment locations. In Canada, the cost of prime office space is among the most competitively priced in the world, and compares very favourably to that of other major centres in North America and Europe. For example, the cost of prime office space in Toronto's Central Business District is 70% lower than comparable space in London's West End. Vancouver's office space is 44% cheaper than comparable space in Los Angeles. An investor leasing a 20,000-square-foot office in Toronto will save \$336,200 annually, compared to similar offices in midtown New York.

Note: Calculations based on data provided in CB Richard Ellis. *Global Market View: Office Occupancy Costs*, May 2009.

Cost-competitive Investment Location

The costs of labour, transportation, utilities and taxes are important factors that affect the bottom line of foreign investors. Here, Canada offers investors cost structures unparalleled in the G7. The latest *Competitive Alternatives 2010*, KPMG's guide to international business costs, found that Canada leads the G7 in low business costs, with an overall cost advantage of 5.0% over the U.S.

In terms of sectors, Canada has some significant advantages over other G7 economies. In 14 of the 17 sectors analyzed by KPMG, cost structures in Canada are the lowest in the G7. In the remaining three sectors (clinical trials, metal components and plastics), cost structures in Canada are the second- or third-lowest in the G7.

In sectors such as biotechnology, product testing, software design, web and multimedia, Canada has a significant cost advantage over the other G7 jurisdictions—a full 8.4% – 10.4% cost advantage over the next least-cost alternative in the G7.

Among the countries in KPMG's study, Canada has:

- The lowest R&D costs in the G7, with a 12.9% advantage over the U.S.;
- The second-lowest labour costs (after Mexico);
- The third-lowest facility lease costs (after Mexico and the U.S.);
- The lowest electricity costs; and
- The second-lowest tax costs (after the Netherlands).

According to KPMG, Canadian cities offer some compelling cost advantages over their competitor cities in the United States. For example, Montréal and Toronto have a 7.8% and 6.2% cost advantage over New York, respectively. Vancouver has a 6.5% cost advantage over Los Angeles.

Canadian cities are also globally competitive in a wide range of sectors. For example, Moncton, New Brunswick comes in third out of 95 cities analyzed in specialty chemicals manufacturing, pharmaceutical production and telecom equipment manufacturing. Sherbrooke, Quebec is ranked the third-lowest-cost city in metal machining and the fourth-lowest-cost city in food processing and auto parts manufacturing. In aircraft parts manufacturing, Winnipeg's cost structure ranks it the sixth-lowest-cost city out of 95 cities analyzed by KPMG.

COST COMPARISONS BETWEEN CANADA AND OTHER G7 ECONOMIES, SELECTED SECTORS

	Canada	France	Germany	Italy	Japan	U.K.	U.S.
Aerospace	96.9 [1]	97.8	101.4	99.5	105.3	98.6	100
Agri-food	96.9 [1]	98.1	99.4	97.6	105.3	97.2	100
Automotive	97.1 [1]	97.7	100.7	98.8	107.1	99.4	100
Back office/Call centres	95.0 [1]	104.1	111.7	101.2	129.3	98.5	100
Biotechnology	90.9 [1]	101.4	111.3	107.2	121.4	101.7	100
Medical devices	95.2 [1]	97.6	102.7	98.6	108.4	98.4	100
Pharmaceutical	94.9 [1]	97.3	101.1	97.7	104.9	97.1	100
Product testing	84.9 [1]	95.7	107.3	105.2	112.0	95.3	100
Software design	87.9 [1]	104.4	109.2	109.4	107.0	97.7	100
Telecom equip. mfg.	95.4 [1]	98.4	102.2	99.3	105.3	98.1	100
Web and multimedia	88.8 [1]	103.8	108.6	107.2	108.5	97.2	100
Overall costs	95.0	98.3	102.6	100	107.6	98.2	100
Overall results	1	3	6	4	7	2	5

Note: [1] = Ranking among G7 countries.

Source: KPMG. *Competitive Alternatives*, 2010.