

Postmedia Network Inc.

Location

The Calgary Herald Building
215 & 315 - 16 Street SE
1790 - 3 Avenue SE
Calgary, Alberta

Area

391,590 sf on +/- 13.79 acres

Cresa Alberta Team

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Client Objectives

Timely, monetization of non-utilized, challenged asset during deteriorating and distressed market conditions in Calgary.

Background

The Calgary Herald Building (Herald Building) had been marketed for sale by another brokerage for a period of nearly five years between 2014 and 2018 after which Postmedia Network (Postmedia) pulled the listing from the market without a sale being achieved. The Herald Building remained off the market and substantially vacant for a period of two years. During that time, Cresa Alberta (Cresa) won an assignment to sell the Calgary Sun Building (Sun Building), and successfully sold the asset on behalf of Postmedia, meeting their market expectations and maximizing returns in a difficult market.

Cresa's performance in successfully selling the Sun Building led to Postmedia engaging the same brokerage team, shortly thereafter, to sell Herald Building. Cresa won the listing by demonstrating the value of engaging with proven, unconflicted, principled and strategic brokers, who understood Postmedia's objectives, understood the market and market conditions, and understood the iconic Calgary Herald asset.

A Structured, Strategic and Tailored Approach

The Cresa team developed a highly strategic approach to six different target market groups, including Industrial REIT's, Office REIT's, Diversified REIT's, Owner Users, Private Equity and Merchant Developers.

In the first 100 days of the listing, Cresa approached nearly 100 prospects from these groups with market data, market based evidence, and rationale tailored to their business models, demonstrating acquisition value, accretive future value, delivered in a manner consistent with the objectives of Postmedia. These objectives related to execution on value, timing and were measurable by interim milestones, including contacts, expressions of interest, offers, negotiation & closing. A timeline of 18 months was established to effect a sale by December 30, 2022.

Through a disciplined execution of Cresa's dynamic and tailored process, numerous prospective purchasers were identified, five of which submitted accepted offers. The ultimate purchaser, an owner user, was identified, submitted their offer, removed conditions and closed within two weeks following the 18-month targeted timeline. Throughout the process, Cresa was in constant communication with Postmedia, and with the marketplace, and in many cases, procuring backup offers to provide Postmedia with security and leverage in all negotiations.

Cresa's design and execution of a deliberate, tailored, strategic process resulted in the successful disposition of The Calgary Herald, unlocking, and delivering value to Postmedia, exceeding their corporate objectives with respect to timing and achieved price.

Postmedia Network Inc.

Unlocking Value, Creating Leverage

Successfully executing the strategy required identifying and drilling down on what Cresa felt were the “Critical Success Factors” for the engagement:

1. Understanding Postmedia’s Objectives
2. Understanding the Marketplace
3. Understanding the Asset

Developing consistent messaging underpinning Postmedia’s objectives of achieving a timely disposition and maximizing value was critically important to unlocking and delivering value to Postmedia. To develop that messaging, acquiring a deep understanding of the weaknesses, strengths, and risks associated with the asset (building and land) had to be acquired. Scouring base building condition and environmental reports, touring repeatedly with the building engineer and building operator, accessing outside technical resources including environmental and electrical engineers, architects and lending & finance experts provided valuable intel to guide and develop the messaging:

1. Value of inner-city location
2. Value vs other markets like GTA, GVA
3. Value of a structurally sound building and redundant power supply
4. Transparency on environmental conditions allowed issues to be confirmed, discussed, and solutions and their costs tabled.

By continually focusing on value over the course of the listing, the nature of the discussion around the Calgary Herald in the marketplace shifted away from the previously prevailing environmental issues, to building strengths, building condition, building and land value, the increasingly competitive pricing of the Calgary industrial market and the superb location and exposure of the asset. Environmental conversations were encouraged and at the same time deliberate, transparent, and solution oriented. Prospective purchasers were connected to resources and experts to facilitate future use discussions and due diligence. By influencing the nature of the discussions with prospects towards value, Cresa was able to keep the process intentional and solution oriented.

Understanding prospect motivations also supported the value proposition approach, particularly with out of market buyers more familiar with land and building values in Toronto and Vancouver. Leveraging this understanding, combined with the emphasis on value, enabled the listing process to gain market interest and offer velocity. From January 2022 through November 2022, Cresa was able to successively encourage eight offers, five of which were negotiated to conditional acceptance, and one which closed successfully. Through that process, the price was continually leveraged upwards, environmental conditions became less and less of an issue as the focus of discussions was locked on value and future value.

Ultimately, the successful offer generated a nearly 33% premium in price over the first offer, and a selling price of more than 11% over the brokerage team initial valuation.



Cresa was able to achieve an additional \$4.25M or 33% from the first offer to the final accepted offer