

# Canadians find a land of opportunity in Las Vegas

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Sometimes, it takes a few outsiders to show you the grass is pretty darned green on your side of the fence.

Enter the Canadians.

Where we see stubbornly high unemployment, they see a readily available, service-oriented labor force. Where we see the nation's biggest housing bust, they see ridiculously inexpensive homes and warehouses. Where we see a cultural desert, they see a flourishing, fun, artistic community. And where we see a weak U.S. dollar pumping up the price of food and fuel, they see exchange rates that make it all affordable.

So don't be surprised if you spot new neighbors indulging in round bacon, maple candies and Labatt Blue. They may be part of a Canadian invasion under way in Las Vegas.

The Nevada Development Authority says it's seen a surge in business inquiries from the Great White North, and in fiscal 2011, which ended June 30, the nonprofit economic-diversification group recorded about as many new businesses arriving from Canada (four) as from California (six). That number could jump in fiscal 2012: Inquiries from Canada are up dramatically, rising 25 percent to 30 percent in the last 18 months, and are on track to be 40 percent ahead by year's end. And that's without spending a dime marketing to Canadians.

So what's going on?

A perfect storm of economics and culture.

## A LOONIE GOES FURTHER

As with virtually any economic phenomenon in Las Vegas, this latest trend is rooted in the city's tourism sector. About 2 million Canadians -- almost 6 percent of total population -- visited Las Vegas in 2010, the latest year with available statistics from the U.S. Department of Commerce. Some were here on vacation, but many visited for

conventions and trade shows.

Once Canadians got accustomed to doing business in Las Vegas, they could imagine moving here, said John Boyd, president of The Boyd Co., a site-selection company based in Princeton, N.J.

But they needed a few other inducements to make the move. Enter the economy.

Relocation or expansion is mostly about expense, Boyd said. And with its epic real-estate bust, Las Vegas offers some of the most affordable homes, offices and warehouses in North America.

"It has never been cheaper for Canadian firms to gain a brick-and-mortar foothold here in the states," Boyd said. "No location symbolizes the historic real estate bargains available to our Canadian clients more than Las Vegas."

Las Vegas also has lower taxes, while Canada remains a "high-tax country," Boyd said. Entrepreneurs are especially keen on the lack of income taxes in Nevada, he added.

Add up the expenses, and it costs \$25.7 million a year to run a 100,000-square-foot, 200-employee information-sciences business in Las Vegas, Boyd said. That's compared with \$29.7 million in Toronto, \$29.1 million in Vancouver, British Columbia, and \$33 million in Los Angeles.

Currency exchange rates also make moving easier than ever. The Canadian dollar languished in value against the U.S. dollar for the better part of four decades, until 2007 or so. In the late 1990s and early 2000s, Canada's dollar had a value of 65 cents to 68 cents for every U.S. dollar, which meant far less buying power for Canadians doing business in the U.S. But with the U.S. dollar weakening in recent years, the exchange rate is roughly even, giving Canadians equal buying power today.

"The balance of the Canadian dollar against the American dollar is so strong that they think it's a great time to make an investment," said Somer Hollingsworth, president and CEO of the Nevada Development Authority.

Canadians aren't in it just for the money, though. Las Vegas has a service-oriented labor force with a substantial contingent of bilingual workers from the tourism sector -- an important attribute for companies from a country that does business in both English and French. Hollingsworth recounted how Canadian phone company TELUS International ran a test hiring advertisement in local newspapers and found hundreds of applicants with customer-service experience, high computer literacy and bilingual skills for the 105,000-square-foot call center it opened here in 2009.

Las Vegas also enjoys more fiber-optic and broadband capabilities than just about any other U.S. city, thanks partly to Switch Communications' SwitchNAP, a massive computer-data and server-collocation center that's expanding to 2.2 million square feet. What's more, Las Vegas gives companies access to the huge California market without

exposing them to the Golden State's higher business costs. Shipping and air service out of Southern Nevada are also plentiful and affordable, Boyd said.

And for all of our navel-gazing over the end of Southern Nevada's boom era, Canadians still see Las Vegas as a growth market, especially when compared with a perpetually slower-growing Canada.

"They think they worst (of Southern Nevada's recession) is over, that it's bottomed out," Boyd said. "And they believe you still have fundamental drivers that will transcend the real estate bust, which was really a national phenomenon. Las Vegas has climate, tax structure and the continued exodus of human capital from California still going for it."

Unconvinced? Ask a Canadian.

### MORE OPPORTUNITY, LESS COST

Overhead was the bottom line for Pumpco Parts. Ontario resident Terry Holmes bought the Denver-based concrete-pump part supplier in 2009, and moved its headquarters to Las Vegas in mid-2011. Holmes didn't just move his business; he moved himself to Las Vegas, too. He called payroll taxes in Canada a "nightmare," and said he's saving \$500 a month on his warehouse lease over his costs in Denver, with 25 percent more space to boot. Other expenses, such as heating bills, are smaller, too.

The intangibles really made the difference, though. Holmes attended local conventions for years before he finally got off the Strip to check out the rest of the city. He liked what he saw.

"There's more to offer in Las Vegas," he said. "Las Vegas has everything within reach: You can rock-climb, you can swim, you can ski, you can do anything within an hour of here. Most places in Canada don't have that."

And hosting clients here versus in Canada? No contest.

"When you're in a city that doesn't have a lot to offer, what do you do for three or four days when you bring out customers? That's all taken care of here," he said. "You can take them to a show or out for any kind of dinner they want, and 99 times out of 100, the weather is perfect. There's just so much to offer. It makes you look better."

For related digital-art companies DNA 11 and CanvasPop, expanding outside Canada gave better access to the U.S. markets that make up a large percentage of their business. Shipping access and costs were especially important to co-founders Nazim Ahmed and Adrian Salamunovic. After considering Las Vegas and Louisville, Ky. -- the headquarters of United Parcel Service's air-cargo business -- the partners settled on Southern Nevada, opening a 17,000-square-foot production center with more than 20 employees in 2010. The city was a good shipping hub, but it offered more.

"Company culture is really important to us," said Ahmed, whose Ottawa-based

companies print custom art of DNA and photos transferred from canvas artwork. "For us, it's all about creating great energy within the company, and we thought the high energy of Las Vegas matched the high energy we have within our own company. Las Vegas is still growing, and it's exciting, and we thought it would really fuel our brand well."

DNA 11 and CanvasPop also found a plentiful supply of printing professionals, thanks to an industry built on constant demand for glossy hotel-casino marketing materials. And those workers are service-minded, an orientation Ahmed said he sees throughout the city. Even Gov. Brian Sandoval invited the partners to a fete for new businesses.

"I get goose bumps just thinking about the entire experience," Ahmed said. "I believe that because a large portion of Las Vegas is based on the hospitality industry, that (service) transcends into every industry. From insurance companies to real estate agents to people doing the renovations in our offices, everyone had that big focus on service, which is amazing. The people make the city. They're so accommodating and so positive, and they love business.

"We love Las Vegas," he added. "We just think it's a world-class city. It has everything to offer to my family and my business."

The main question is whether Canadian businesses will keep feeling that way, and whether the trend can continue.

sustained immigration?

Observers said they don't see an end to the macroeconomic factors luring Canadians here.

The city's market is years from big price gains that would make real estate less affordable, and Boyd said economists tell him that dollar parity will remain for the foreseeable future.

Building on those factors, Las Vegas can boost its odds for continued in-migration if it targets specific sectors, such as mining and energy businesses from Alberta, logistics and trade companies from Vancouver, information technology and finance firms from Toronto and fashion, film, design and furniture operations from Montreal, Boyd said.

The Canadian businesses already operating here also expect to increase their presence in coming years.

Pumpco plans to add manufacturing to its distribution business. The move would increase its local operation from 8,500 square-feet to as much as 50,000 square-feet, and take the Las Vegas office from six workers to 50. Holmes said he hopes to have the plant up and running within 18 months.

He's also touting Las Vegas to Canadian colleagues weighing a move or expansion.

"To be able to buy a 4,000-square-foot home for \$200,000 -- they're all over that," Holmes said. "They're so used to paying high dollars for everything. Overhead is the major thing."

At DNA 11 and CanvasPop, the owners say their goal is to become the world leader in custom digital art, and as their U.S. hub, Las Vegas will reap benefits of the companies' growth, Ahmed said.

Like Holmes, Ahmed said he tells compatriots all about Las Vegas. Not that he has to say much these days: News about e-tailer Zappos.com's downtown makeover and Canadian companies moving to Southern Nevada comes up frequently in Canadian media, he said.

For Boyd, whose clients include big Canadian companies Sun Life, TD Bank and Rogers Communications, it all means one thing.

"Las Vegas is in a position to work with trends, rather than against them," he said. "Las Vegas can feel comfortable that the economic issues Canadian companies have aren't going away anytime soon."

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#### **North American Cost Ranking**

**Comparison of annual operating costs based on a 100,000-square-foot, 200-worker operation in the information-sciences field:**

##### **Annual Location Operating Cost**

**New York \$36.2 million**

**San Francisco \$34.8 million**

**Newark/Northern New Jersey \$33.3 million**

**Los Angeles/Long Beach \$33.0 million**

**Stamford, Conn. \$32.7 million**

**Washington, D.C. \$32.4 million**

**Boston \$31.6 million**

**Chicago \$30.4 million**

**Minneapolis/St. Paul \$29.9 million**

**Seattle \$29.9 million**

**Toronto \$29.7 million**

**Vancouver, British Columbia \$29.1 million**

**Denver/Boulder \$27.5 million**

**Dallas/Fort Worth \$26.4 million**

**Las Vegas \$25.7 million**

**Source: The Boyd Co. of Princeton, N.J.**

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