



What Shopify Inc's (TSX:SHOP) \$500 Million Toronto Investment Means for Investors

Description

It's been a wild year for **Shopify Inc** ([TSX:SHOP](#))([NYSE:SHOP](#)) stock. Starting off the year at \$132, it has since risen to about \$210—but not without some [wild swings](#) along the way. While Shopify's year-to-date gains have been great, many are wondering whether the company can achieve profitability.

For those who are worried about Shopify bleeding out cash, the latest news may not be encouraging.

Recently, Shopify made a big splash by investing \$500 million in Toronto office space. The office will occupy the top floors of The Well, a 38-storey skyscraper being built at Front Street West and Spadina Avenue. Shopify will be the “anchor tenant” of the building, which means that the Shopify logo will hang at the top of the building. Shopify will occupy 253,000 square feet over four floors.

Big news, indeed. But what does it mean for investors?

It helps to start by looking at the complex itself.

What is “The Well”?

The Well is a joint venture between **Allied Properties REIT** and **RioCan REIT**. The property consists of a number of buildings, including eateries, shopping spaces and office space. Shopify will occupy the top floors of the flagship office building.

Based on early images and floor plans, The Well certainly looks like a swanky office building. The question is, will Shopify's \$500 million investment in that spot benefit investors? To answer that question, we need to understand what makes tech companies tick.

Talent: the key to tech success

The tech world is an incredibly competitive industry. Tech workers are routinely recruited from top schools or on the basis of their ability to complete savagely difficult puzzles. Top dotcom companies like **Facebook** and **Google** will often get into soft “bidding wars” to recruit the elite workers who make

the cut.

And these companies do it for a reason. Recruiting top programmers means that companies can build applications that are faster, more user-friendly and more fully-featured than their competitors' products.

Tapping a high-tech workforce

Which brings me to my main point:

Shopify's \$500 million office investment *may* make sense if we think of it as an investment in attracting top tech talent. Toronto is ranked as the ninth most high-tech city in the world and the first in Canada. This means that Toronto many highly skilled tech workers, which provides any Canadian tech company with a strong incentive to have an office there.

So there's a clear incentive for Shopify to have a presence in Toronto. As for the \$500 million price tag, that seems harder to justify, but it's important to note that office space amenities can help attract tech workers who see plenty of options to choose from. It's one of the reasons why Google and Facebook keep their offices well stocked with snacks and recreational activities and invest heavily in office space.

Whether this \$500 million investment will help Shopify [become profitable](#) remains to be seen. But one thing is certain: it shows that Shopify is playing in the big leagues when it comes to attracting tech talent.

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