

## Property sales soaring

Commercial real estate investment hits highest level in over a decade

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By Murray McNeill



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Shelter's Arni Thorsteinson and Avison Young's  
Linda Capar are players in recent boom in property  
sales.

LOCAL and out-of-province investors are snatching up commercial properties in Winnipeg at the fastest rate in more than a decade, according to a new report from Colliers International.

In its annual *Canadian Real Estate Review*, the commercial real estate and property management firm says 35 commercial properties changed hands in Winnipeg in the first six months of this year. That's nearly triple the number (12) of transactions recorded in the first half of 2004.

As well, the dollar volume of sales -- \$181 million -- was more than double last year's first-half total of \$79.8 million.

Wayne Pratt, president of Colliers Pratt McGarry in Winnipeg, said those are the strongest first-half numbers he's seen in the more than 10 years that Colliers has been tracking real estate investment activity in Winnipeg and the 12 other cities covered in the report.

Pratt said there are a number of factors fuelling real estate investment activity in Winnipeg, including a strong local economy, low interest rates, and low office and retail vacancy rates, all

of which make commercial properties more attractive to investors.

The increased demand for commercial properties is also driving up property values, which in turn is prompting more owners to sell their properties, he said.

"And our view is that over the next couple of years the (Winnipeg real estate investment) market will continue to be strong."

Pratt said it was local and Canadian investors who were doing most of the buying in the first half of the year, and they were snapping up every kind of investment property going -- everything from retail, office and industrial buildings to hotels and apartment blocks.

The most active local player was Shelter Canadian Properties Limited and its president and chief executive officer, Arni Thorsteinson. One of the two real estate investment trusts that Shelter and Thorsteinson control -- Huntingdon REIT -- bought nine Winnipeg properties in the first half of this year for a total of \$41.4 million.

Shelter and Thorsteinson were particularly enamoured with downtown commercial properties. One of Huntingdon REIT's biggest acquisitions was the Newport Centre office tower on the southwest corner of Portage Avenue and Hargrave Street, which it purchased earlier this year for \$13 million.

It followed that up by reaching a tentative deal in July to purchase the cityplace shopping centre/office building complex at Donald Street and Graham Avenue for \$70 million. However, that transaction isn't included in the first-half numbers because it won't officially close until later this month.

In addition to Huntingdon's acquisitions, another investment fund that Shelter and Thorsteinson control -- the Manitoba Property Fund -- acquired a 50 per cent interest in the Royal Bank building at Portage Avenue and Fort Street for \$8.95 million dollars.

Thorsteinson said downtown Winnipeg properties are becoming attractive investment targets because the downtown is undergoing a renaissance of sorts with all of the major new projects that are either completed or underway, including the MTS Centre, the Millennium Library and the new \$258-million Manitoba Hydro office tower.

### **Several buildings changed hands**

Here are some of the commercial real estate properties in Winnipeg that changed hands in the first half of this year, with the dollar value in brackets:

- A 50 per cent interest in the Royal Bank building, 220 Portage Ave. (\$8.95 million);
- CanWest Global Place, 201 Portage Ave. (\$40 million).
- Newport Centre, 330 Portage Ave. (\$13 million).
- Greenwood Inn Hotels, 1715 Wellington Ave. (\$17 million).
- The Purolator Courier building, 1935 Sargent Ave. (\$8.1 million).
- A 50 per cent interest in Northgate Shopping Centre (\$5.6 million).
- The Fort Garry Brewing building, 110 Lawson Cres. (\$1.7 million).

*Source:* Colliers Pratt McGarry and Shelter Canadian Properties Ltd.

Thorsteinson said he's not surprised to see a surge in real estate investment activity in Winnipeg. It's typical of what's happening across the country.

"Low interest rates and a strong economy have created a lot of buying power (among investors)," he said.

Low interest rates also have created a strong interest in REITs, which invest in income-producing real estate properties and are now paying a higher rate of return than more traditional investment vehicles such as bonds or guaranteed investment certificates, Thorsteinson said.

He noted that while foreign investors may not have made any direct purchases in Winnipeg in the first half of the year, they are indirectly investing in the market by investing in REITs that are active here. For example, 15 per cent of the \$191 million that Huntingdon REIT has raised so far this year was from U.S. investors, he said.

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