

Real estate trusts sizzle amid low interest rates

Saturday, July 2nd, 2005

By Martin Cash

WINNIPEG real estate investment trusts continue to take advantage of investors' appetite for healthy yields that REITs are able to deliver while interest rates remain near their lowest in a generation.

Huntingdon Real Estate Investment Trust just announced that it had succeeded in raising about \$100 million in new debt and equity and Westfield REIT signed conditional agreements to purchase 11 properties worth about \$133 million throughout Western Canada.

Westfield has also announced its intention to raise up to \$40 million in additional debt and equity, increase its distribution by 75 per cent and apply for a listing on the TSX Exchange. (Westfield currently trades on the TSX Venture Exchange.)

"There is a lot of money in Canada that is chasing yields and real estate right now," said Westfield CEO Armin Martens, who is also a principal in family-owned Marwest Management Canada Ltd. "Our plans are to complete this offering and acquisitions and undertake another round in the fall."

Huntingdon REIT CEO Arni Thorsteinson, the veteran Winnipeg real estate deal-maker who is also the CEO of Shelter Canadian Properties, said there are several factors that make REITs an attractive proposition for institutional investors these days.

"Because of the generational-low interest rates, investors are loath to buy bonds or GICs at interest rates of two or three per cent," Thorsteinson said. "There is a large flow of funds into the trust market and compared to the rest of the world, real estate values in Canada are still very attractive."

Huntingdon REIT also announced this week that it has acquired a 50 per cent stake in the Northgate Shopping Centre for \$5.55 million.

The purchase of the shopping centre, at 1399 McPhillips St., will be funded by a \$3.29-million mortgage loan and cash.

The shopping centre contains 230,314 square feet of leasable space and is anchored by a 169,480-square-foot Zellers store and a 27,212-square-foot Cinema City movie theatre complex, owners of the other 50 per cent share of the shopping centre. It also has two pad sites occupied by a Petro-Canada gas station and Northgate Car Wash.

This latest transaction is the 10th acquisition Huntingdon has announced since it was launched on Feb. 23, and the fourth this month.

Martens said that Westfield is not disclosing the exact properties it is acquiring until the acquisitions close, some of which might not take place until the end of September. The company did note that the properties comprise a total of 1.16 million square feet of leasable area, 700,000 square feet of which is unenclosed shopping centres. The balance is office space and there is one industrial building in the group. The overall occupancy rate of the properties is 94 per cent. They are located in Calgary, Winnipeg, Regina, Saskatoon, Medicine Hat and Grand Prairie.

Last week, Tribal Councils Investment Group announced its second purchase of Westfield units, giving it a total of 3.5 million or 16.6 per cent of the outstanding units.

Ken Shiffman, TCIG's chief financial officer said that TCIG has had a good relationship with Marwest and Westfield.

"We're comfortable with their management style," Shiffman said. "We also have an equity stake in Bieber Securities."

Bieber will be part of the sales team on the latest Westfield offering and has taken part in other of their offerings as well.

Westfield's units closed up 25 cents or 62.5 per cent to 65 cents. Huntingdon's shares closed unchanged at \$3.25.

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