

Thursday, September 23rd, 2004

Master juggler keeps increasing load

Thorsteinson credits top-notch staff

Thursday, September 23rd, 2004

Martin Cash

THE Arni Thorsteinson cloning machine is going to need to increase production.

The veteran Winnipeg real estate developer and manager continues to get involved in so many different enterprises that it seems unlikely one person would have enough hours in the day to manage them all.

Earlier this month, he launched WPVC Inc., a new capital pool company on the TSX Venture exchange, that is intended to become a real estate income trust (REIT) before the end of the year.

Thorsteinson is already the chairman and CEO of another REIT (Lanesborough) that started trading on the TSX Venture exchange two years ago.

He is also chairman of the board of Consolidated Properties Inc., a Calgary-based real estate company that is currently the target of a hostile take-over bid.

Two months ago, the Manitoba Property Fund was unveiled and Thorsteinson is the junior partner of the entity that will manage the fund and the real estate professional from whom the deals are expected to flow.

Meanwhile, Thorsteinson continues to be the president and owner of Shelter Canadian Properties Ltd., by far the largest of all the vehicles he runs. It is one of the largest apartment building management firms in the country and has an ownership stake in most of the 40 different buildings it manages, whose aggregate value is about \$850 million.

In addition to managing about 9,000 apartment units from Ontario to British Columbia (including one project in Florida), Shelter is also the owner or partner in three hotels and two more that are under construction.

Considering all that, it may not be surprisingly to hear that Thorsteinson is considering another REIT to own hotel properties.

As one observer put it, "Arni sure does have a lot of balls in the air."

Thorsteinson immediately points to his staff of real estate professionals (60 of them at his Evergreen Place head office) to explain how he does it all.

They will have to be increasingly diligent as some of his newer vehicles get rolling to ensure there are no conflicts of interest or appearances of conflicts. There has already been at least one instance of a non-arms length transaction (Lanesborough bought a building from Consolidated Properties) and even though, as some shareholder-rights advocates point out, they are not necessarily detrimental to independent shareholders, care must be taken to provide scrupulous corporate governance guidelines.

"Each vehicle has a specific mandate," Thorsteinson said in an interview, adding he is not concerned about any adverse reaction to what seems like an unusual scenario.

Peter Chapman, executive director of the Shareholder Association for Research and Education (SHARE), a Vancouver-based non-profit organization which works with institutional investors to promote responsible investment practices, said that such a configuration of entities under the management of one executive or beneficial owner is not uncommon.

Chapman pointed out mutual fund managers handle several different funds with different asset classes. There are also examples of the same people being behind different mineral exploration companies.

"The important thing to note are the connections between the companies and that rules and tests are in place that are clear enough so that no benefit is gained incorrectly," he said in a telephone interview from his office in Vancouver.

The fact is, Thorsteinson has the experience and the clout to be in the middle of the current of a fairly brisk deal flow.

While he may be a controversial character in some quarters, he is also seen to have a level of expertise in some areas that clearly overpower concerns about the former.

John Pelton, senior vice-president of investments at Crocus Investment Fund and president of the \$25 million Manitoba Property Fund, said Thorsteinson's expertise is a major asset to the fund.

"This is a purpose-built entity to develop real estate in downtown Winnipeg," Pelton said. "There is no conflict. The governance is clear."

The Manitoba Property Fund has the right of first refusal in all Thorsteinson/Shelter deals in downtown Winnipeg. The Lanesborough REIT owns some commercial properties but has made it clear it will only acquire residential properties in the future. WPVC will specifically not own residential buildings and Consolidated Properties focuses exclusively on Alberta office buildings.

There may be some juggling required but it ought to be a piece of cake for the Arni Thorsteinsons.

Martin Cash's column on the Winnipeg business scene appears every Thursday in the Free Press business section. If you would like to contact him, please call 697-7256 or e-mail him at

martin.cash@freepress.mb.ca.

PHOTO JOE BRYKSA/WINNIPEG FREE PRESS

© 2004 Winnipeg Free Press. All Rights Reserved.