

REAL ESTATE ROUNDUP

Meanwhile out in Toronto ...

Vancouver's Concert Properties Ltd. adds to its industrial portfolio with major Hogtown acquisition



Toronto Shangri-La: the site of Westbank Projects Corp. and Peterson Investment Group's 65-storey hotel at University Avenue and Adelaide Street in Toronto

Concert looks east

Vancouver-based **Concert Properties Ltd.** is nearly doubling the size of its industrial investment portfolio with the acquisition of 1.2 million square feet on 70 acres in the Greater Toronto area from **Can-First Industrial Realty Fund LP**.

The properties include 10 buildings at five locations in Brampton, Markham, Mississauga as well as Toronto. The buildings are 98% leased, better than the current Toronto average, and most enjoy high visibility and proximity to local airports (three of the five are close to the Pearson terminals).

The \$110.1 million deal gives Concert approximately two million square feet of industrial space

across Canada, as well as a small addition to its office holdings.

"We liked the portfolio because it's a very varied tenancy, a lot of stability in the tenancy," said Concert president **David Podmore**. "We felt that it was a nice, very diverse portfolio."

The properties also promise Concert future development opportunities, further boosting the value of its investment.

Demand for industrial space in the Toronto area has remained steady. **CB Richard Ellis'** most recent report on the sector found it difficult to offer any new analysis. While manufacturing companies are a weak point in the market, net absorption remains steady

and construction of new space continues.

"We liked the portfolio because it's a very varied tenancy"

— David Podmore,
president,
Concert Properties Ltd.

Toronto industrial landlords netted two million square feet of absorption in the second quarter, with the average availability rate for space running at 5.2%. This is virtually unchanged from past quarters, in which availability has ranged between 4% and 5% for the past few years.

"The industrial market has proved its resilience," the CB report states. "The Toronto industrial market has braced itself for spillover effects from the manufacturing industry... However, the other shoe has not dropped – for now at least."

The diversity of the tenancies promises to buffer Concert if and when that shoe drops.

Elsewhere in Toronto, Concert recently completed **Serrano**, a 21-storey rental property with 278 suites in Etobicoke. Serrano is the first phase of a three-phase development on a 3.7-acre site co-owned with the **Ontario Municipal Employees Retirement System (OMERS)** and **Sun Life Financial**. Suites in Serrano rent for between \$1,060 and \$1,650 a month.

Minimal fallout

A visit to Toronto last week coincided with the Canadian Apartment Investment Conference, where **CIBC World Markets** senior economist **Benjamin Tal** was scheduled to brief participants on the economic outlook for the year ahead. A day earlier, he was in Vancouver addressing the **Mortgage Investment Association of B.C.** on the fallout from the subprime mortgage meltdown in the U.S.

The good news, Tal said, is that Canada shouldn't see much of a shock from the subprime crisis rattling the U.S. economy. There may even be a stronger market for residential landlords as buyers opt to continue renting until things settle down. But this will likely be more a question of buyer confidence than a sustained flight from home-buying. A shakeup in the hitherto fast-growing subprime mortgage market in Canada will likely



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have a greater impact, Tal believes. He said subprime lending was advancing as much as 30% to 40% in Canada as of July, but Tal expects slower growth over the next six to eight months.

Shangri-La rising

The Shangri-La Vancouver has just started to rise above the Vancouver skyline, hinting at the more dramatic changes that lie ahead for the cityscape as the 60-storey tower approaches completion next year.

Meanwhile, developers **Westbank Projects Corp.** and **Peterson Investment Group** are proceeding with a big sister totalling 65 storeys at University Avenue and Adelaide Street in Toronto. Work is set to begin this autumn on the tower, which will have the distinction of trumping a truncated tower that real estate mogul **Donald Trump** plans a couple of blocks east at Adelaide and Bay streets.

Trump had originally planned a 70-storey edifice for Toronto, but short sales and a desire to boost the performance of the tower's building systems to meet residents' expectations led to the size reduction.

The Shangri-La Toronto has been well received. More than 200 of the tower's 352 residential units have sold thus far. Sales are averaging \$1,000 a square foot. The units occupy the top floors of the tower, above a 220-room Shangri-La hotel. ■

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