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Cominar real estate trust to launch hostile takeover bid for Canmarc REIT

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MONTREAL - Two of eastern Canada's largest real-estate trusts may be headed to a hostile takeover battle after Cominar offered to buy out other investors in Canmarc in a proposal that values the REIT at about \$838.2 million.

Cominar REIT (TSX:CUF.UN) of Quebec City said Monday it has increased its stake in Montreal-based Canmarc to 15.1 per cent and is offering \$15.30 cash for each Canmarc unit it doesn't already own.

Alternatively, it is offering unitholders the option of acquiring 0.7 of a unit in Cominar for each Canmarc unit.

The bid values Canmarc, (TSX:CMQ.UN), formerly known as Homburg Canada REIT, at about \$838.2 million, including the stake Cominar already owns. That's about 15 per cent above the closing price of Canmarc units on Friday.

Canmarc units quickly rose above Cominar's offer, after the Toronto Stock Exchange opened Monday following the early-morning announcement. Canmarc units jumped \$2.31 or 17.39 per cent to \$15.59 and Cominar units were ahead 21 cents to \$21.90.

Cominar said it believes a combined company would be "ideally positioned for growth" because it would create a portfolio that is diversified across geographies and asset-classes.

It would increase Cominar's asset base by 42 per cent and would increase Cominar's value to \$4.4 billion, creating the second-largest diversified REIT in Canada.

"The Canmarc assets are highly complementary to Cominar's existing portfolio," said Michel Dallaire, Cominar's president and CEO.

However, Canmarc said in a statement Monday that it was not prepared to meet Cominar's demand for a response by the end of the business day Friday or else it would launch a hostile bid.

"Given the REIT was not for sale and that it continues to successfully execute on its business plan, it is unreasonable to ask the REIT to respond to their proposal within a 48-hour window," said Karen Prentice, chair of Canmarc's board.

Canmarc has formed a special committee of trustees to review the proposal, as well as pursue other alternatives.

"The board and the special committee, with the support of their advisers, will diligently assess the current situation and will fully consider any offer and communicate the REIT's views to its unitholders," she said.

However, the board is asking unitholders not to take any action until it has decided.

The company has a unitholder rights plan in place to deal with an unsolicited offer to give it time to

evaluate the bid.

Montreal-based Canmarc has commercial properties and residential apartments in Quebec, Atlantic Canada, Western Canada and Ontario.

Cominar said it approached Canmarc's board of trustees seeking support for the deal, but was advised that Canmarc is "not prepared to enter such discussions."

Both trusts focus on non-residential real estate.

Canmarc expanded its retail portfolio by 20 per cent after it paid \$114.9 million in September for 29 shopping centres while selling 42 multi-residential buildings in Atlantic Canada for \$65 million (\$37 million in net proceeds).

The company continues to own 464 multi-family residential units, primarily a 27-storey tower in Montreal, in addition to its income-producing commercial properties totalling 8.7 million square feet of gross leasable area.

Before it was created as a separate trust in 2010, Homburg Invest acquired Canadian real estate fund Alex Nihon in 2007 after a protracted battle with Cominar.

While waiving the right to match Homburg's offer, Cominar agreed to buy 585,000 square metres of office and industrial properties of Alexis Nihon from Homburg for \$592 million.

Canmarc is now independent operationally and financially from Homburg Invest, which filed for creditor protection.

Cominar's latest proposal to acquire Canmarc is being financed through a loan by three of Canada's largest banks.

Cominar is the largest commercial property owner in Quebec. It owns a real estate portfolio of 269 high-quality properties, consisting of 53 office, 55 retail and 161 industrial and mixed-use buildings.

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