

Winnipeg Free Press - PRINT EDITION

Winnipeg's got the REIT stuff

Toronto investor adds three city properties to its portfolio

By: **Murray McNeill**
Posted: 1:00 AM | Comments: 0g



RUTH BONNEVILLE / WINNIPEG FREE PRESS

[Enlarge Image](#)

Hart Mallin says Northwest is the perfect buyer for 755 Portage Ave., since it has developed an expertise in managing health-care facilities. Photo Store

A Toronto-based real estate investment trust has added three Winnipeg buildings -- its first acquisitions

in the city -- to its rapidly expanding property portfolio and hopes to add many more over the next few years.

"We certainly see there are a number of properties we'd love to own in the market," Jay Charbonneau, director of investments for Northwest Healthcare Properties Real Estate Investment Trust, said in an interview.

HEALTHY BUSINESS

ABOUT Northwest Healthcare Properties REIT:

- Describes itself as Canada's largest non-government owner and manager of medical office buildings and health-care facilities.
- Launched in 2002-03 as a privately owned real estate investment company and converted about three years ago into a publicly traded REIT.
- Now has 76 properties comprising about 4.6 million square feet of leasable space.
- It now has holdings in seven provinces -- B.C., Alberta, Manitoba, Ontario, Quebec, New Brunswick and Nova Scotia, including concentrations of buildings in cities such as Calgary, Edmonton, Toronto, Montreal and Halifax.

"But for every buyer, you have to have a seller."

Charbonneau said discussions are underway with several other property owners, but no other deals are imminent.

"We're in varying degrees of conversations," he added.

Charbonneau said Northwest had been checking out the Winnipeg market "for some time" before it pulled the trigger on its first deal.

And it intends to be equally prudent when considering other potential acquisitions.

He said the kinds of properties Northwest is interested in include medical office buildings and community health-care offices or clinics. However, it's not interested in such things as retirement homes, he said.

Although Northwest's specialty is owning and managing health-care-related facilities, Charbonneau said it's willing to purchase other kinds of office buildings if such a deal makes sense.

Its first Winnipeg transaction is a case in point. The three buildings in the Portage portfolio were sold as a package because they're situated side by side on the same block -- the north side of Portage Avenue between Toronto and Victor streets -- and were owned by the same group -- Gladstone Finance Corp. Ltd.

But only one of them -- the three-storey one in the middle (755 Portage Ave.) -- is a health-care facility. All three floors are leased by the Winnipeg Regional Health Authority for its downtown west community area office.

The two-storey building at 765 Portage Ave. is inhabited by Big Brothers and Sisters of Winnipeg, while the one-storey one at 741 Portage Ave. is an Xtra Cash outlet.

Charbonneau admitted the three-storey health-care building was the key to the deal.

"But the plan at this point in time is to hang on to all three of them," he said. "Tenants are already in place (in the other two)... and they're good buildings. So we're absolutely comfortable with keeping all of them."

Winnipegger Hart Mallin was the developer who built the three-storey building for Gladstone in 2008-09. Mallin said the owners received multiple offers -- he wouldn't disclose how many -- when it advertised the portfolio for sale.

Ken Jones, chairman of the commercial division of the Winnipeg Realtors Association, said he wasn't surprised to hear an out-of-province institutional investor snapped up the buildings.

"I would say it is another indication of the strength of the Winnipeg commercial marketplace," Jones said.

"Rents are increasing and there is such energy in the downtown, as evidenced by all of the recent development announcements, that Winnipeg is definitely on many radar screens."

"I also think the time has come for institutional players who aren't currently in the city to finally make that decision to pull the trigger and invest here," he added. "I think you are going to see an increase in activity in the near term."

Mallin said Northwest was the perfect party to acquire the buildings, because not only does it plan to retain them for the long term, it has developed an expertise in managing health-care facilities. So Gladstone officials knew the buildings would be well cared for, he added.

He predicted Winnipeg's commercial real estate sector also will benefit from having a major new player such as Northwest in the marketplace.

"These are people that can bring capital to the market for the development of other health-care properties, which is an untapped resource," he said.

"And this particular group can also be a great partner in owning and operating health-care buildings."

A spokesman for the WRHA, which has a long-term lease for the building at 755 Portage, said it's looking forward to establishing a long-term relationship with its new landlord.

"Our needs are different than a typical office environment and it is comforting to know that we will have a landlord that can draw upon their experience from their other health-care properties in order to provide viable solutions for any issues that may arise," said Holly Madden, the WRHA's chief administrative officer, community and corporate.

Madden said the WRHA leases most of the buildings in its community portfolio, and has had issues in the past with some of its landlords.

"Although we are in the early days of our relationship with Northwest, they would understand our requirements for dealing with any heating, cooling or air-pressure issues in a timely fashion so that we can provide a safe and comfortable environment for our clients and staff," she said.

"The less time we spend dealing with building issues, the more time we can spend on serving and providing care to our clients."

Know of any newsworthy or interesting trends or developments in the local office, retail, or industrial real estate sectors? Let real estate reporter Murray McNeill know at the email address below, or at 204-697-7254.

murray.mcneill@freepress.mb.ca

Find this article at:

<http://www.winnipegfreepress.com/business/winnipegs-got-the-reit-stuff-207157481.html>

Check the box to include the list of links referenced in the article.