

Feature: Biggest Deals of 2002

Retail deals spur real estate in 2002

Ivanhoe Cambridge buys Metrotown, plans biggest mall west of Edmonton in Burnaby

Peter Mitham

Retail properties led the way in real estate deals last year, ranking first in terms of size and total volume in 2002.

Montreal-based **Ivanhoe Cambridge Inc.**, the retail property management wing of Quebec's **Caisse de DÈpÙt et Placement**, topped the list with its \$143-million acquisition of Metrotown Centre in Burnaby.

Ivanhoe Cambridge was also the single largest purchaser of B.C. real estate in 2002, kicking in \$28 million for the **Rogers Cantel** office tower at the Metropolis-Metrotown complex for total spending of \$171 million.

Toronto-based **RioCan REIT** and its partner U.S.-based **Kimco Realty Corp.** ranked second to Ivanhoe Cambridge in cash spent, dropping \$152.9 million on four malls in Victoria and the Lower Mainland.

Kevin Meikle, who worked with fellow **Royal LePage Commercial Inc.** broker **Peter Gibson** on RioCan's \$58.3-million deal for Strawberry Hill Shopping Centre in Surrey, said higher yields on retail properties made them hot assets.

Shopping centres have a low roll-over risk, he said, citing strong tenant desire to be in major shopping centres such as Strawberry Hill.

"On a relative risk-reward basis, retail is the best bet."

In the case of Metrotown, there was also a chance to enhance value.

Brian Castle, senior vice-president of the western region with Ivanhoe Cambridge, said Metrotown was attractive because it was next to Metropolis, which his company already owned.

Of the 5.4 million square feet in Ivanhoe Cambridge's B.C. portfolio, 4.7 million square feet is retail space. Major properties include Oakridge Centre in Vancouver and Guildford Town Centre in Surrey.

Over the next two years, Ivanhoe Cambridge plans to spend \$78 million integrating the two malls to give them a single identity, making the new mall the largest west of Edmonton.

"Now we can deal with it as a single entity, which is going to create a single vision for merchandise mix and a retailing vision, and we're going to proceed with it," he said.

Castle expects the real estate market to continue strong well into 2003, despite the uncertainty in the broader economy.

"The equity markets are still not performing on a consistent basis, so there are a lot of capital dollars still chasing real estate. And I think that will continue for the short term," Castle said.

The second biggest B.C. deal was **Tokyu Canada Corp.**'s sale of the **Pan Pacific** hotel and World Trade Centre office complex in Vancouver to **Westmont Hospitality Group Inc.** of Texas.

Listed with **Colliers International** for \$165 million, the hotel reportedly sold for far less. Some industry sources peg the deal's value as low as \$135 million. Those familiar with the market put it closer to the value of the Metrotown deal.

Despite the secrecy surrounding the actual sale price, observers agreed that Westmont got a very good deal on a flagship property.

Angus Wilkinson, president of Vancouver real estate broker and consultant **Tyne Hospitality Services Ltd.**, said the Pan Pacific deal was unique for Westmont.

"They haven't bought very many one-off properties," Wilkinson said, noting that Westmont typically prefers chains.

But Westmont president **Majid Mangalji** has strong family connections to Vancouver, and in 1999 paid **Lai Sun Development Corp.** \$46.3 million for Whistler's **Delta Whistler Resort**.

Westmont also owns a **Comfort Inn** in Chilliwack and the **Travelodge Hotel Vancouver Airport** in Richmond.

Westmont's Mississauga-based chief operating officer **Kenny Gibson** did not return calls.

In addition to the Pan Pacific, major hotel deals in 2002 included Buffalo, New York-based **Delaware North Parks Services'** purchase of the **Harrison Hot Springs Resort & Spa** and Vancouver-based **Mayfair Properties Ltd.'**s deal for the **Parkhill Hotel** in Vancouver.

Wilkinson said some deals reflect optimism in the hotel market in anticipation of an expanded **Vancouver Convention and Exhibition Centre**. It's been a decade since he last saw so many people scouting hotel purchases, he added.

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